



**TUNG HO STEEL ENTERPRISE CORPORATION**

**2014 Annual Report**

**Date of Publication: May 1, 2015**

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Market Observation Post System of TWSE: [mops.twse.com.tw](http://mops.twse.com.tw)

Company Website: [www.tunghosteel.com](http://www.tunghosteel.com)

**1. Names, titles, telephone numbers, and e-mail addresses of the Company's spokesperson and deputy-spokesperson**

Name of Spokesperson: Xiuqi Chen

Title: Assistant manager      Tel: (02) 2551-1100 Ext. 705

Email address: red@tunghosteel.com

Name of Deputy-Spokesperson: Ruyu He

Title: Assistant manager      Tel: (02) 2551-1100 Ext. 611

Email address: juyu@tunghosteel.com

Name of Deputy-Spokesperson: Shumei Kuo

Title: Manager      Tel: (02) 2551-1100 Ext. 568

Email address: ksm@tunghosteel.com

**2. Addresses and telephone numbers of the head office, branch offices, and factories.**

Head Office: 6F, No. 9, Sec. 1, Changan East Road, Taipei 10441

Tel: (02) 2551-1100    Fax: (02) 2562-6620

Kaohsiung plant: No. 8, Jiaxing Street, Siaogang District, Kaohsiung City 81257

Tel: (07) 802-3131      Fax: (07) 801-0696

Taoyuan plant: No. 116, Tsaoluo, Neighborhood 8, Bauzhang Vil., Guanyin Township, Taoyuan County 32847

Tel: (03) 476-1151      Fax: (03) 476-1609

Miaoli plant: No. 22, Pinding, Erhu Vil., Xihu Township, Miaoli County 368

Tel: (037) 923-333      Fax: (037) 923-311

Logistics Center at Taichung Port: No. 455, Sec. 2, Lin-gang Rd., Wuqi Dist., Taichung City 43547

Tel: (04) 2656-2000    Fax: (04) 2656-5500

**3. Name, address, website, and telephone number of stock registration agent**

Name: Stock Agent Department, Yuanta Securities Co., Ltd.

Address: B1, No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei City 10366

Website: www.yuanta.com

Tel: (02) 2586-5859    Fax: (02) 2586-5977

**4. Names of certified accountants, address, website, and telephone number of the accounting firm auditing the Company's latest financial report.**

Names of certified accountants in 2014: Accountants Cihui Li and Huizhi Kou

Firm Name: KPMG International Cooperative

Address: 68F, No. 7, Sec. 5, Xinyi Rd., Taipei City 11049

Website: www.kpmg.com.tw

Tel: (02) 8101-6666

**5. Name of the exchange house where overseas eligible securities are traded and the method of inquiry on the mentioned securities**

Exchange house for trading on Global Depositary Receipts (GDR): Bourse de Luxembourg

Website for Information Query on Global Depositary Receipts (GDR): [mops.twse.com.tw](http://mops.twse.com.tw)

**6. Company Website:** [www. tunghosteel.com](http://www.tunghosteel.com)

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## **I. Letter to Shareholders**

In 2014, the global economy gradually recovered, driven by the quantitative easing policies and zero-interest rate policies of major economies such as Europe, the US, and Japan. The rate of recovery is accelerating steadily. Although countries worldwide have yet to mitigate the effects of deflation, the US has already demonstrated excellent recovery. The country's consumption, investment, production, and housing and construction have improved. Its unemployment rate has declined to pre-financial crisis levels, and commodity prices have increased moderately. Although the US economy declined slightly in the first quarter of this year as a result of severe weather conditions and a strong USD currency, such effects are unlikely to influence its continual recovery. To combat deflation, Japan and the Euro zone have adopted an unfettered quantitative easing policy, resulting in the depreciation of the JPY and EUR. In addition, this policy has led to greatly reduced interest rates and has successfully created economic stimulation. In comparison, the prospect of China's economy is relatively bleak due to housing bubbles and long-term over-investment, as well as increased inflation which has hindered public spending. Moreover, increased debts of local and state-owned enterprises have substantially slowed the growth of China's economy, necessitating a substantial amount of time to restore the nation's momentum in economic growth. Due to the continuous decline in the prices of raw materials, basic metals and oil, continued execution of strategies aimed at encouraging consumer spending and controlling inflation as well as the implementation of the QE policy should promote fundamental economic recovery worldwide. By contrast, Taiwan's economy is primarily influenced by the slight improvement of its major trading partners, showing a respectable performance in foreign sales. With regard to domestic demands, decrease in oil and electricity prices and continual stability in housing prices have effectively stimulated consumption in Taiwan, thus contributing to the stable recovery of Taiwan's overall economy.

Due to the slow economic growth in China and severe excesses in steel production capacity, steel industries worldwide have continued to performed poorly, causing steel prices to drop continuously. In Taiwan, affected by the dumping of foreign goods, slower growth in the construction market, reduced scale of public constructions, and declining industrial investment, most steel manufacturers faced difficulties and were staring at mediocre or zero profits. Demand for steel products have suffered as sales prospects look bleak and price competition intensifies.

Despite the difficult environment, the Company managed to maintain a growth in revenue last year; however, due to a drop in product prices, the Company's profit margin decreased substantially, reflecting a decline compared with the year before. In addition, due to the drop in the share price of Taiwan High Speed Rail, the Company's earnings declined considerably. We hereby express our sincere apologies to all of our shareholders. However, it is commendable that the Company has continued to stay profitable despite the existing difficulties faced by the steel industry. A consolidated overview of the 2014 business performance of the Company and its primary investee companies is outlined below.

## 1. Results of Production and Sales:

Unit: NT\$1,000

	Production Value			Sales value		
	2014	2013	Growth rate	2014	2013	Growth rate
Billet	27,546,147	26,217,549	5.07%	108,517	431,479	-74.85%
Rebar	15,414,065	14,687,649	4.95%	17,223,695	16,313,640	5.58%
H-beam	11,855,163	10,881,720	8.95%	13,261,429	13,154,123	0.82%
Steel plate (self-made)	1,456,582	1,542,835	-5.60%	1,359,298	1,364,285	-0.37%
Steel plate (transaction)	0	0	0	144,660	461,645	-68.66%
Channel	815,676	772,627	5.57%	813,060	808,445	0.57%
I-Beam	84,422	85,463	-1.22%	98,635	163,620	-39.72%
Steel structure	4,338,751	4,042,039	7.34%	4,271,483	3,981,235	7.29%
Sale and purchase of steel	0	0	0	37,736	38,826	-2.81%
Environmental protection processing	323,953	268,080	20.84%	293,215	244,144	20.10%
Others	65,667	13,971	370.02%	68,147	14,475	370.79%
Total	61,900,426	58,511,933	5.79%	37,679,875	36,975,917	1.90%

## 2. Profitability Analysis:

Unit: NT\$1,000

	2014	2013	Growth rate
Operating income	35,892,185	35,119,213	2.20%
Operating costs	33,004,388	31,416,143	5.06%
Operating gross profit	2,887,797	3,703,070	-22.02%
Operating expenses	1,528,236	1,516,227	0.79%
Operating net profit	1,359,561	2,186,843	-37.83%
Net profit before tax	1,288,302	2,422,903	-46.83%

### 3. Financial structure and profitability analysis:

Analysis \ Item		Year	
		2014	2013
Financial structure (%)	Debt to asset ratio	39.71	41.75
	Long-term capital to fixed assets ratio	172.1	185.03
Profitability	Return on assets (%)	2.98	5.52
	Return on shareholder's equity (%)	4.55	9.28
	Paid-in capital ratio (%)	Operating profit	21.91
		Net profit before tax	24.27
	Net profit margin (%)		5.98
	Earnings per share (NT\$)		2.12

### 4. Overview of Technology and R&D

The Company's research and development expenses for 2014 was NT\$54,069,384, equivalent to 0.15% of the revenue. Major R&D results in steel refining: Development of high strength steel billets, super strength steel, restored melted slag process development, furnace material recycle technology and development of the scrap continuous feeding system. Major R&D results in steel rolling: High-strength threaded rebar, high-strength threaded rebar coupler, ultra-rapid cooling process, U-shaped Steel sheet pile, induction heating process of steel billets, hyper Beam production process, ultra-thick H-shaped steel and various shaped steels with distinct specifications were developed in order to diversify our products, enhance our technical capability, and increase the Company's revenue and profit. R&D projects in 2015 will continue to undertake the development of high strength and high value steel bars, super-strength steel, super nano steel, advanced steel material for ships, waste steel feeding system, and slag recycling process.

The Company's operational strategies include continuous efforts in improving our technical capability and management efficiency, lowering production costs, and ramping up collaboration of production, sales, and purchases so that we can raise the Company's competitive advantages in the domestic market. We will also carry out aggressively expansion of our overseas market and customer base simultaneously. Another important strategy of the Company is the continual research and



development of new products and the applications of steel to further strengthen the sustainable management of the Company.

In 2015, the European countries, the US, and Japan are expected to demonstrate steady economic recoveries. Although this would promote the growth of foreign sales in Taiwan, problems concerning China's slow economic growth, risk of hard-landing and excessive steel production capacity cannot be resolved within a short period. Such factors will negatively affect Taiwan's economy, particularly the steel market. Furthermore, the downturn of the housing market and decrease in public and private investments will inevitably impact the domestic construction steel market, which gives rise to bleak expectations for this year's business performance. However, despite the existing challenging business environment, all Company's employees will keep a positive and enthusiastic spirit to forge ahead in improving competitiveness, reducing production costs, strengthening internal management, and developing new markets and products. We aim to achieve these goals to overcome our predicaments and enhance the Company's performance in order to maximize shareholders' value and meet expectations.

Lastly, I would like to wish all our shareholders

health  
and prosperity

Chairman: HENRY HO

## II. Company Profile

### 1. Date of establishment

Established on May 30th, 1962

### 2. Company Profile

May 1962	The Company was founded in Chiayi County, Taiwan Province. The funding capital was NTD 4.5 million. The Company's business at that time was disassembling steamships and trading old vessels, metal and iron materials, and mechanical and electrical materials. The Board elected Mr. Jindui Hou as the Chairman and Mr. Zhengting Hou as the General Manager.
May 1965	The Company acquired 44,525 square meters of reclaimed land at Port of Kaohsiung to build Cian-jhen rolling factory.
December 1965	The Company moved offices from Chiayi County to No.3, Kuojian Rd., Cianjhen Dist., Kaohsiung City.
September 1974	The Company acquired industrial land of 91,375 square meters in Linhai Industrial Park in the Siaogang District of Kaohsiung to build office buildings and steel plants.
January 1975	The Chairman, Mr. Jindui Hou, passed away due to illness-by-overwork. The Board then elected Mr. Zhengting Hou as the succeeding chairman and Mr. Zhenxiong Hou as the General Manager.
April 1977	The Kaohsiung Plant installed 20 ton electric arc furnace.
September 1977	The Kaohsiung Plant installed the first continuous casting machine in Taiwan.
March 1978	The Company moved to No.8, Jiaying Street, Siaogang District, Kaohsiung City.
July 1981	The Kaohsiung Plant completed trial run tests on its automatic tandem rolling machines and started to produce steel and steel rods, making the company a one-stop-shop steel manufacturer that can handle both steel refining and rolling.
June 1986	The Company purchased and installed two 50 ton electric arc furnaces at the Bade Plant in Taoyuan. The Company halted its ship-disassembling business in the same year.
April 1987	The head office was moved to 6F, No. 9, Sec. 1, Chang-an East Road, Taipei.
July 1988	The Taoyuan Plant's electric furnaces started production. The Company became listed on the Taiwan stock market.
April 1990	The Chairman, Mr. Zhengting Hou, resigned. The Board elected Mr. Zhenxiong Hou as the succeeding chairman and the General Manager, and appointed Mr. Zhengting Hou as the honorary chairman.
July 1992	The Taichung Office and Delivery Center was established.
August 1993	The Miaoli Plant completed trial tests on steel refining.
October 1993	The Miaoli Plant completed trial tests on steel refining.
November 1993	The H-beam steel product was launched.
July 1994	The Miaoli Plant started mass production and operations.
October 1996	The Miaoli Plant completed trial tests on refining furnaces.
November 1996	The Company was granted the Highest Honor of Academic Award by the Chinese Institute of Mining and Metallurgical Engineering.
April 1997	The Company's publication, "The Ordinary", won the Taipei City Government Labor Bureau Secretary Award. The Company's publication, "CI", was granted Taipei City Mayor Award by the Taipei City Government and Excellence Award by the Council of Labor Affairs, Executive Yuan.
December 1997	The Kaohsiung Plant completed trial tests on rolling H-beam steel and officially discharged its steel-refining furnaces from production.
March 1998	The section steel mill at the Kaohsiung Plant was built and started mass production.
November 1998	The Miaoli Plant started the production of narrow steel plates.
July 2002	The No. 2 caster in the Miaoli Plant started mass production.
February 2005	The Bade Plant was certified with the OHSAS18001 (1999; Occupational Health and Safety Management System) by the Ministry of Economic Affairs Bureau of Standards.
October 2005	The Bade Plant successfully developed and started producing D43 steel bars.
June 2006	The committee on Taoyuan Plant expansion was formed to take charge of the preparation for the expansion of the plant.
March 2007	The Kaohsiung Plant was certified with the OHSAS18001 (1999; Occupational Health and Safety Management System) by the Ministry of Economic Affairs Bureau of Standards.
November 2007	The Taichung Office and Delivery Center was moved to Taichung Port, forming the Logistics Center at Taichung Port.
November 2008	The construction of the Taoyuan Plant officially commenced.
July 2009	The Miaoli Plant was certified with the OHSAS18001 (2007; Occupational Health and Safety Management System) by the Ministry of Economic Affairs Bureau of Standards.
October 2009	The Board appointed Mr. Jieteng Hou as the General Manager, to replace the Chairman, Mr. Zhenxiong Hou, from the position.
May 2010	The Taoyuan Plant completed trial run tests on furnaces and continuous casting equipment of the steel-refining mill.

June 2010	The committee on Taoyuan Plant expansion was dismissed. Construction of the new Taoyuan plant was completed.
July 2010	The Taoyuan Plant completed trial run tests on hot rolling system of the steel-rolling mill, making the plant the first in Taiwan that adopted a procedure in hot rolling steel billets directly, without using an additional heating furnace.
June 2011	The Taoyuan Plant started production of steel wire rods and bars.
November 2011	The Miaoli Plant obtained the BV Verification Declaration for the carbon footprint of beam and steel plate products.
May 2012	The Company launched steel rebar and coupler products. The Tung Ho Steel Cultural Foundation was established.
June 2013	The beam products of Kaohsiung and Miaoli Plants passed the ACRS S0 certification, becoming the first steel plant worldwide that manufactures the ACRS S0-certified beam products.
September 2013	The Taoyuan and Miaoli Plants were authorized by the Ministry of Economic Affairs to use the MIT Smile Label.
December 2013	The Kaohsiung Plant purchased the rebar mesh welding machine, completed trial tests on the machine, and officially started production using the machine.
June 2014	The Board elected Mr. Jieteng Hou as the succeeding chairman and general manager and Mr. Zhenxiong Hou as the honorary chairman.
July 2014	Construction for the expansion of the Taoyuan Plant Steel Rolling Line 2 officially began.
November 2014	The Kaohsiung Plant obtained the BV Verification Declaration for the carbon footprint of five beam and steel plate products, and was awarded the Glass Trophy from the Industrial Technology Research Institute, becoming the first steel plant in Taiwan to have acquired the Carbon Footprint Certificate.
December 2014	The Taoyuan Plant was certified with the TOSHMS (Taiwan Occupational Safety and Health Management System) by the Ministry of Economic Affairs Bureau of Standards.

**Mergers, investment in affiliates, restructuring, large share equity transfers by a director, supervisors, or major shareholders holding more than 10% of the company shares, change in management, material change in management approach or business activities, and other critical matters influencing shareholder's equity and the respective effects of these events on the company for the recent year up to the publication date of this annual report: None**

**(1) Organizational Chart: Changes to texts in the chart; please use this diagram**



(2) Business and functions of main departments:

1. General Manager Office: Responsible for budget control, business analysis, bonus system, project planning, credit management, and customer service.
2. Legal Office: Responsible for research and handling of legal affairs, and providing legal advice.
3. Auditing Office: Responsible for establishing, promoting, and execution of the internal auditing system.
4. Management Department: Responsible for establishing the management system and managing affairs related to the organization, personnel, education and training, logistics, and asset management.
5. Accounting Department: Responsible for establishing the Company's accounting system and managing accounting, costs, finances, foreign exchange, securities investment, and shareholder services.
6. Investment Department: Responsible for strategic investment planning and managing investee companies.
7. Systems Engineering Department: Responsible for the management of information and planning, development, maintenance and performance enhancement of the computing environment.
8. Business Department: Responsible for domestic and foreign client quotations, bidding, and sales.
9. Purchasing Department: Responsible for bulk purchases of raw materials, machinery, and equipment.
10. Miaoli plant: Responsible for the production of H-beam and steel plates, as well as other plant management affairs.
11. Taoyuan plant: Responsible for the production of steel bars, as well as other plant management affairs.
12. Kaohsiung plant: Responsible for the production of steel bars and H-beam, as well as other plant management affairs.
13. R&D Division: Responsible for research and development of metallurgical technology, product development, and projects-related technologies.
14. Work safety center: Responsible for managing and supervising labor safety/health affairs of departments and plants.

## 2. Information of directors, supervisors, president, vice president, assistant manager, and managers of various departments and branch offices

### (1) Directors and Supervisors

April 27, 2015

Job title (Note 1)	Nation ality or Area of Registr ation	Name	Elected (duty assumptio n) date	Tenur e	Date First Elected (Note 1)	Shares held when being elected		No. of shares held currently		No. of shares held by spouse and minor children		Shares held by nominee		Education/work experience	Other positions in the Company or other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers, directors, or supervisors		
						Num ber of share s	Shar ehol ding ratio	Num ber of share s	Shar ehol ding ratio	Num ber of share s	Share holdi ng ratio	Num ber of share s	Share holdin g ratio			Title	Name	Relation ship
Corporate director	Taiwan	Shen Yuan Investment Co., Ltd.	2014.06.1 8	3 years	1988.08.1 8	120, 199, 779	12.0 4%	120, 199, 779	12.0 4%	Not appli cable	Not appli cable	0	0%	Not applicable	Not applicable	None	None	None
Chairman	United States	Shen Yuan Investment Co., Ltd. Representa tive: Jieteng Hou	2014.06.1 8	3 years	2002.06.2 7	142, 426	0.01 %	142, 426	0.01 %	75,00 0	0.01 %	0	0%	Graduated from Department of Economics, Harvard University	Director of Dong Gang Steel Structure Co., Ltd. Director of Katec Creative Resources Corporation Director of Hexawave Inc. Chairman of Dong Gang Wind Power Inc. Director of Dong Gang Construction Engineering Co., Ltd. Director of Fujian Sino-Japan Metal Corporation Director of Katec R&D Corporation Director of Goldham Development Ltd. Director of Wan Nian Department Stores Co., Ltd. Director of 3 Oceans International Inc. Director of Tung Yuan International Corp. Director of Taiwan High Speed Rail Inc. Supervisor of Shen Yuan Co., Ltd.	Vice Chairman Directors	Shuzhao Houwang Yushu Hou	Mother/ child Brother

Job title (Note 1)	Nationality or Area of Registration	Name	Elected (duty assumption) date	Tenure	Date First Elected (Note 1)	Shares held when being elected		No. of shares held currently		No. of shares held by spouse and minor children		Shares held by nominee		Education/work experience	Other positions in the Company or other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers, directors, or supervisors		
						Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Vice Chairman	R.O.C.	Shen Yuan Investment Co., Ltd. Representative: Shuzhao Houwang	2014.06.18	3 years	1988.08.18	5,021,191	0.50%	5,021,191	0.50%	26,103,950	2.62%	0	0%	Graduated from Ming Chuan College of Business Advanced studies at Utah State University	Chairman of Dong Gang Steel Structure Co., Ltd. Director of Dong Gang Wind Power Co., Ltd. Director of Far East Steel Inc. Director of Goldham Development Ltd. Director of Tung Yuan International Corp. Chairman of Delta Design Corporation Director of Shen Yuan Investment Co., Ltd. Chairman of Wan Nian Department Stores Co., Ltd. Chairman of Shang Fu Industrial Inc.	Chairman Directors	Jieteng Hou Yushu Hou	Mother/child Mother/child
Directors	R.O.C.	Shen Yuan Investment Co., Ltd. Representative: Yushu Hou	2014.06.18	3 years	1996.05.23	100,000	0.01%	100,000	0.01%	0	0%	0	0%	Graduated from the Department of Environment and Visual Arts, Harvard University, USA	Director of Shen Yuan Investment Co., Ltd. Supervisor, Wan Nian Department Stores Co., Ltd.	Chairman Vice Chairman	Jieteng Hou Shuzhao Houwang	Brother Mother/child
Directors	R.O.C.	Shen Yuan Investment Co., Ltd. Representative: Huiming Wu	2014.06.18	3 years	2014.06.18	128,432	0.01%	128,432	0.01%	0	0%	0	0%	Graduated from Taipei Engineering Professional School, Mining and Metallurgical Engineering	Director of Dong Gang Steel Structure Co., Ltd.	None	None	None

Job title (Note 1)	Nation ality or Area of Registr ation	Name	Elected (duty assumptio n) date	Tenur e	Date First Elected (Note 1)	Shares held when being elected		No. of shares held currently		No. of shares held by spouse and minor children		Shares held by nominee		Education/work experience	Other positions in the Company or other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers, directors, or supervisors		
						Num ber of share s	Shar hol ding ratio	Num ber of share s	Shar hol ding ratio	Num ber of share s	Share holdi ng ratio	Num ber of share s	Share holdin g ratio			Title	Name	Relation ship
Corporate director	Taiwan	Episil Holding Incorporati on	2014.06.1 8	3 years	2014.06.1 8	5,05 5,64 9	0.51 %	5,05 5,64 9	0.51 %	Not applic able	Not applic able	0	0%	Not applicable	Not applicable	None	None	None
Directors	R.O.C.	Representa tive of Episil Holding Incorporati on: Zhiming Huang	2014.06.1 8	3 years	1988.08.1 8	4,59 1,39 7	0.46 %	4,59 1,39 7	0.46 %	0	0%	0	0%	Graduated from California State University, USA	Director, Chi-te Technology Inc. Director of Far East Steel Inc. Chairman, Episil Holding Incorporation	None	None	None
Corporate director	Taiwan	Liang Cheng Investment Co., Ltd.	2014.06.1 8	3 years	2014.06.1 8	11,1 85,9 73	1.12 %	11,1 85,9 73	1.12 %	Not applic able	Not applic able	0	0%	Not applicable	Not applicable	None	None	None
Directors	R.O.C.	Representa tive of Liang Cheng Investment Co., Ltd.: Baohu Chen	2014.06.1 8	3 years	1988.08.1 8	4,53 3,20 5	0.45 %	4,53 3,20 5	0.45 %	562,0 96	0.06 %	0	0%	MBA, Royal Roads University	Chairman, He-cheng Investment Inc. Chairman, Chi-cheng Investment Inc. Chairman, Jian-qing Investment Inc. Chairman, Liang Cheng Investment Co., Ltd.	None	None	None
Directors	R.O.C.	Yanliang Hou	2014.06.1 8	3 years	1999.05.2 3	361, 670	0.04 %	361, 670	0.04 %	0	0%	0	0%	Graduated from the University of Southern California, USA	Chairman, Hao-Han Investment Co., Ltd. Chairman, Enzen GS Chemical Co., LTD.	None	None	None



Job title (Note 1)	Nation ality or Area of Registr ation	Name	Elected (duty assumptio n) date	Tenur e	Date First Elected (Note 1)	Shares held when being elected		No. of shares held currently		No. of shares held by spouse and minor children		Shares held by nominee		Education/work experience	Other positions in the Company or other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers, directors, or supervisors		
						Num ber of share s	Shar ehol ding ratio	Num ber of share s	Shar ehol ding ratio	Num ber of share s	Share holdi ng ratio	Num ber of share s	Share holdin g ratio			Title	Name	Relation ship
Independ ent Directors	R.O.C.	Yiji Liu	2014.06.1 8	3 years	2014.06.1 8	0	0%	0	0%	0	0%	0	0%	Graduated the Department of Accounting, College of Commerce at the National Chengchi University	Supervisor, Tah Tong Textile Co., Ltd.	None	None	None
Independ ent Directors	R.O.C.	Zhuangxi Zhang	2014.06.1 8	3 years	2014.06.1 8	6,68 5	0%	6,68 5	0%	6,685	0%	0	0%	PhD in Law and political science at the Pantheon-Assas University	None	None	None	None
Superviso rs	Taiwan	He Zhao Investment Co., Ltd.	2014.06.1 8	3 years	2011.06.2 4	5,10 0,88 7	0.51 %	5,10 0,88 7	0.51 %	Not applic able	Not applic able	0	0%	Not applicable	Not applicable	None	None	None
Superviso rs	R.O.C.	Representa tive of He Zhao Investment Co., Ltd. Yuanyu Ke	2014.06.1 8	3 years	2011.06.2 4	0	0%	0	0%	0	0%	0	0%	Graduated from Department of Accounting, National Cheng Kung University	None	None	None	None
Superviso rs	Taiwan	Taiwan Zhi Di Co. Ltd.	2014.06.1 8	3 years	2014.06.1 8	65,0 00	0.01 %	65,0 00	0.01 %	Not applic able	Not applic able	0	0%	Not applicable	Not applicable	None	None	None

Job title (Note 1)	Nationality or Area of Registration	Name	Elected (duty assumption) date	Tenure	Date First Elected (Note 1)	Shares held when being elected		No. of shares held currently		No. of shares held by spouse and minor children		Shares held by nominee		Education/work experience	Other positions in the Company or other companies held currently	Has a spouse or a relative within the second degree of kinship who are the Company's managers, directors, or supervisors		
						Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Supervisors	R.O.C.	Representative of Taiwan Zhi Di Co. Ltd.: Chaohe Lin	2014.06.18	3 years	2011.06.24	318,887	0.03 %	318,887	0.03 %	0	0%	0	0%	Graduated from Department of Economics, Soochow University	Chairman of Rui Nian Management & Consulting Co., Ltd.	None	None	None

Note 1: 1. Jieteng Hou was first elected as the director on June 27, 2002 and as chairman on June 18, 2014.

2. Zhiming Huang was first elected as the director on August 18, 1988 and as the corporate representative director on June 18, 2014.

3. Baohe Chen was first elected as the director on August 18, 1988 and as the corporate representative director on June 18, 2014.

4. Chaohe Lin was first elected as the director on June 24, 2011 and as the corporate representative supervisor on June 18, 2014 immediate after his dismissal as the director.

Table 1: Substantial shareholders of corporate shareholder

March 31, 2015

Name of institutional shareholder	Substantial corporate shareholders
Shen Yuan Investment Co., Ltd.	Zhenxiong Hou 48.99%, Shuzhao Houwang 29.93%
Episil Holding Incorporation	Zhiming Huang 25%, Meichu Cheng 25%
Liang Cheng Investment Co., Ltd.	British Virgin Island JUSTIN investment management 100%
He Zhao Investment Co., Ltd.	Zhenxiong Hou 99.998%
Taiwan Zhi Di Co. Ltd.	Shengyu Chen 52%, Shuzhen Hou 46%

Table 2: Major shareholders in Table 1 who are institutional investor and their major shareholders

March 31, 2015

Institution Name	Principal shareholders of the Institution
Not applicable	None

# Directors and Supervisors

December 31, 2014

Name (Note 1)	Condition	Does the person have over 5 years of working experiences and professional qualifications listed below			Meet the independence requirement										Number of companies the person serves as an independent director
		An Instructor or higher position in a department of commerce, law, finance, accounting, or other discipline related to the Company's business in a public or private College or University.	Judges, prosecutors, lawyers, accountants or other professional and technical staff needed by the company that are required to pass national exams or obtain certificates.	Work experience in commerce, law, finance, accounting, or others that are related to the Company's business.	1	2	3	4	5	6	7	8	9	10	
Shen Yuan Investment Co., Ltd. Representative: Jieteng Hou			√								√		√		0
Shen Yuan Investment Co., Ltd. Representative: Shuzhao Houwang			√								√		√		0
Shen Yuan Investment Co., Ltd. Representative: Yushu Hou				√	√						√		√		0
Shen Yuan Investment Co., Ltd. Representative: Huiming Wu			√			√	√	√			√	√	√		0
Representative of Episil Holding Incorporation: Zhiming Huang			√	√	√	√	√	√	√	√	√	√	√		0
Liang Cheng Investment Co., Ltd. Representative: Baohe Chen			√	√	√	√	√	√	√	√	√	√	√		0
Yanliang Hou			√	√	√	√	√	√	√	√	√	√	√	√	0
Independent Director: Yiji Liu		√	√	√	√	√	√	√	√	√	√	√	√	√	0

Independent Director: Zhuangxi Zhang			√	√	√	√	√	√	√	√	√	√	√	0
Supervisor: He Zhao Investment Co., Ltd. Representative: Yuanyu Ke		√	√	√	√	√	√	√	√	√	√	√		0
Supervisor: Taiwan Zhi Di Co. Ltd. Representative: Chaohe Lin			√			√	√	√	√	√	√	√		0

Note 1: Directors and supervisors who, during the two years before being elected and during the terms of positions, meet the following criteria, please key in “√” in the corresponding boxes.

1. Not an employee of the company or its affiliates.
2. Not a director or supervisor of the Company or any of its affiliates (This does not apply to cases where the person is an independent director of the company, its parent company, or any subsidiary in which the company holds, directly or indirectly, more than 50% of the voting shares).
3. Shareholders holding more than 1% of the total issued shares of the company under another name except him/herself, his/her spouse or children (minor). Those holding such amount of shares on behalf of others; or the top 10 natural person shareholders.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the above persons described in the preceding three subparagraphs.
5. Chairman, supervisors, or employees who indirectly hold over 5% of the total corporate shares already issued, or the top 5 ranked shareholders (the chairman, supervisors, or employees).
6. Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company.
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
9. Does not meet the criteria listed in any Sections of Article 30 of the Company Act.
10. Not an elect in the name of a government, institution, or its representative as defined in Article 27 of the Company Law.

**(II) Information of President, Vice President, Assistant Manager, Managers of Departments and Branches**

April 27, 2015

Job title	Nationality	Name	Elected (duty assumption) date	Shares held		Shares held by spouse and minor children		Shares held by nominee		Education/work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who serve as the Company's managers		
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship
Chief executive officer	R.O.C.	Zhenxiong Hou	2013.03.29	26,103,950	2.62%	5,021,191	0.50%	0	0%	Graduated from the Department of Economics at National Taiwan University Master of Economics, Indiana University, USA	Chairman, Shen-yuan Investment Inc. Chairman, Far East Steel Inc. Chairman, Hexawave Inc. Director of Wan Nian Department Stores Co., Ltd.	Executive officer General manager	Shuzhao Houwang Jieteng Hou	Married couple Father/child
Executive officer	R.O.C.	Shuzhao Houwang	1995.05.15	5,021,191	0.50%	26,103,950	2.62%	0	0%	Graduated from Ming Chuan College of Business Advanced studies at Utah State University	Chairman of Dong Gang Steel Structure Co., Ltd. Director of Dong Gang Wind Power Co., Ltd. Director of Far East Steel Inc. Director of Goldham Development Ltd. Director of Tung Yuan International Corp. Chairman of Delta Design Corporation Director of Shen Yuan Investment Co., Ltd. Chairman of Wan Nian Department Stores Co., Ltd. Chairman of Shang Fu Industrial Inc.	Chief executive officer General manager	Zhenxiong Houwang Jieteng Hou	Married couple Mother/child

Job title	Nationality	Name	Elected (duty assumption) date	Shares held		Shares held by spouse and minor children		Shares held by nominee		Education/work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who serve as the Company's managers		
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship
General manager	United States	Jieteng Hou	2009.10.16	142,426	0.01%	75,000	0.01%	0	0%	Graduated from Department of Economics, Harvard University	Director of Dong Gang Steel Structure Co., Ltd. Director of Katec Creative Resources Corporation Director of Hexawave Inc. Chairman of Dong Gang Wind Power Inc. Director of Dong Gang Construction Engineering Co., Ltd. Director of Fujian Sino-Japan Metal Corporation Director of Katec R&D Corporation Director of Goldham Development Ltd. Director of Wan Nian Department Stores Co., Ltd. Director of 3 Oceans International Inc. Director of Tung Yuan International Corp. Director of Taiwan High Speed Rail Inc. Supervisor of Shen Yuan Co., Ltd.	Chief executive officer Executive officer	Zhenxiong Hou Shuzhao Houwang	Father/child Mother/child
Senior vice president	R.O.C.	Chaohe Lin (note)	2009.10.16	318,887	0.03%	0	0%	0	0%	Graduated from Department of Economics, Soochow University	Chairman of Rui Nian Management & Consulting Co., Ltd.	None	None	None
Vice chairman of sales department	R.O.C.	Kuanren Gu	2009.10.16	22,855	0%	100	0%	0	0%	Graduated from Department of Economics, Chinese Culture University	Director of Dong Gang Construction Engineering Co., Ltd. Chairman of Fata Xingye Co. Ltd.	None	None	None

Job title	Nationality	Name	Elected (duty assumption) date	Shares held		Shares held by spouse and minor children		Shares held by nominee		Education/work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who serve as the Company's managers		
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship
Vice chairman of sales department	R.O.C.	Binghua Huang	2009.10.16	6,444	0%	642	0%	0	0%	Master degree from Material Development Institute of National Cheng Kung University	General Manager of East Steel Structure Inc. Director of Dong Gang Steel Structure Co., Ltd. Director of Dongjing Investment Co., Ltd. Board Director, Li-Shi Venture Capital Inc. Board Director, Li-Yu Venture Capital Inc.	None	None	None
Vice President, Purchasing Department	R.O.C.	Qixie Lin	2009.10.16	21,799	0%	0	0%	0	0%	Graduated from Department of Materials Science and Engineering, Tsinghua University	Director of 3 Oceans International Inc. Chairman of Fujian Sino-Japan Metal Corporation Board director, Siaogang Warehousing Inc. Director, Chien Shing Harbour Service Co.,Ltd	None	None	None
Vice president, Financial Department	R.O.C.	Boxun Dong	2014.07.10	23,381	0%	0	0%	0	0%	Graduated from the Department of Economics at National Taiwan University  Master's degree in Business Management from the Business Institute, National Chengchi University	Supervisor, Hexawave Inc.  Director of Dong Gang Steel Structure Co., Ltd. Director of Tung Yuan International Corp. Director of Goldham Development Ltd.	None	None	None



Job title	Nationality	Name	Elected (duty assumption) date	Shares held		Shares held by spouse and minor children		Shares held by nominee		Education/work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who serve as the Company's managers		
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship
Assistant manager of the general manager's office	R.O.C.	Changhong Li	2011.10.01	3,137	0%	0	0%	0	0%	Master's degree from Institute of Management Science, Chiao Tung University	None	None	None	None
Assistant manager of the sales department	R.O.C.	Ruyin Fan	2009.11.01	0	0%	0	0%	0	0%	International Trade Major, International Business Professional School	None	None	None	None
Assistant manager of the sales department	R.O.C.	Zhengbin Qiu	2010.06.01	5,027	0%	0	0%	0	0%	Mechanical Engineering Major, United Engineering Professional School	President, Fujian Dong Gang Steel Company Ltd.	None	None	None
Assistant manager of the investment department	R.O.C.	Zhenyuan Chen	2009.11.01	0	0%	0	0%	0	0%	Graduated from Department of International Trade, Feng Chia University	Chairman, De-ho International Inc.	None	None	None
Assistant manager of the investment department	R.O.C.	Dexiu Chen	2010.11.16	56,911	0.01%	0	0%	0	0%	Master's degree in Information, New Jersey Institute of Technology	General Manager, Katec Creative Resources Director of Fujian Sino-Japan Metal Corporation	None	None	None
Assistant manager of the investment	R.O.C.	Xiuqi Chen	2011.10.01	0	0%	0	0%	0	0%	Graduated from Department of Accounting, National Chung	Supervisor of Dong Gang Steel Structure Co., Ltd. Supervisor, Fujian Dong Gang Steel	None	None	None

Job title	Nationality	Name	Elected (duty assumption) date	Shares held		Shares held by spouse and minor children		Shares held by nominee		Education/work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who serve as the Company's managers		
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship
department										Hsing University MA in Finance, College of Management, National Taiwan University	Company Ltd. Supervisor, Fujian Sino-Japan Metal Company Ltd. Director of Katec Creative Resources Corporation Director of Dong Gang Wind Power Co., Ltd. Board director, BySources Investment Inc.			
Assistant manager of the foreign trade department	R.O.C.	Junsheng Jian	2009.11.01	870	0%	0	0%	0	0%	Graduated with a Industrial Engineering Major, Taipei Engineering Professional School	None	None	None	None
Assistant manager of the management department	R.O.C.	Ruyu He	2011.10.01	2,000	0%	0	0%	0	0%	Master degree in Business Administration from Institute of Business, Chung Yuan Christian University	Director of Katec R&D Corporation Supervisor of Katec Creative Resources Corporation Supervisor, Dong Gang Wind Power Inc.	None	None	None
Assistant manager of the systems engineering department	R.O.C.	Zhechong Lin	2005.05.01	9,822	0%	0	0%	0	0%	Master degree in Information Management from Institute of Management, National Sun Yat-sen University	Director, Han-Jing Optoelectronics Inc.	None	None	None

Job title	Nationality	Name	Elected (duty assumption) date	Shares held		Shares held by spouse and minor children		Shares held by nominee		Education/work experience	Other positions in other companies held currently	Has a spouse or a relative within the second degree of kinship who serve as the Company's managers		
				Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Job title	Name	Relationship
Manager of Work Safety Center	R.O.C.	Yilin Wang	2008.12.01	15,444	0%	6,242	0%	0	0%	Graduated from Department of Economics, Tamkang University	None	None	None	None
Manager of Legal Office	R.O.C.	Junxian Zhao	2012.09.01	4,318	0%	0	0%	0	0%	Graduated from Department of Law, Chinese Culture University	None	None	None	None
Assistant Deputy Manager, Auditing Office	R.O.C.	Yiru Chen	2011.10.01	0	0%	0	0%	0	0%	Graduated from Department of Statistics, Feng Chia University	None	None	None	None
Taoyuan plant director	R.O.C.	Fujin Chen	2012.07.01	589	0%	0	0%	0	0%	Graduated from Kaohsiung Municipal Kaohsiung Industrial High School	None	None	None	None
Miaoli plant director	R.O.C.	Mingzong Liu	2008.09.01	3,112	0%	0	0%	0	0%	Master's in Materials Science and Engineering, National Taiwan University	Director, Taiwan Steel United Inc.	None	None	None
Kaohsiung plant manager	R.O.C.	Zongyu Wang	2011.07.01	37	0%	0	0%	0	0%	Master's degree in Financial Management, National Sun Yat-sen University	None	None	None	None

(Note): Chaohe Lin served until June 17, 2014

(3) Remuneration paid last year to board of directors, supervisors, general managers and deputy general manager

1. Remuneration for directors (including independent directors)

December 31, 2014

Job title	Name	Directors' remuneration						Total Remuneration (A+B+C+D) as a % of Net Income	Remuneration received as the Company's employee										Total Remuneration (A+B+C+D+E+F+G) as a % of Net Income		Whether or not remuneration of investees were received from outside the subsidiaries	
		Remuneration (A) (Note 2)	Pension (B)	Remuneration for distribution of earnings (C)		Business execution expenses (D)			Salaries, bonuses, and special allowances (E)	Pension (F)	Employee Profit Sharing (G)	Shares acquired from employee stock options (H)	Obtain the number of new shares that restrict employees' rights (I)									
															This company	All companies within the financial report	This company	All companies within the financial report	This company	All companies within the financial report		This company
Chairman	Representative of Shen Yuan Investment Co., Ltd.: Zhenxiong Hou (Note 1)	8,220,000	8,220,000	0	0	31,546,707	295,000	295,000	3.77%	3.80%	24,056,287	25,616,287	767,356	767,356	548,268	0	548,268	0	0	6.16%	6.35%	0

[illegible]

[illegible]

Note 1: (1) Shareholders' meeting was held on June 18, 2014 to elect chairman and board directors.

(2) Original chairman: Zhenxiong Hou; New chairman: Jieteng Hou.

(3) Original director: Representative of Rui He Court Construction Development Co., Ltd.: Bowen Hou, Representative of Shen Yuan Investment Co., Ltd.: Chaohe Lin, Baohe Chen, Zhiming Huang; New director: Representative of Shen Yuan Investment Co., Ltd.: Huiming Wu, Representative of Episil Holding Incorporation: Zhiming Huang, Representative of Liang Cheng Investment Co., Ltd.: Baohe Chen, Yiji Liu, Zhuangxi Zhang.

Note 2: (1) Remuneration paid to the driver of Chairman, Zhenxiong Hou, in 2014 was NT\$939,164. Remuneration paid to the driver of the new Chairman, Jieteng Hou, in 2014 was NT\$174,792. Remuneration paid to the driver of Vice Chairman, Shuzhao Houwang in 2014 was NT\$631,788.

(2) In 2014, the Company did not actually pay pension benefits; amounts listed in the chart are amounts of pension provisions.

## Remuneration range table

Levels of remuneration paid to directors of the Company	Name of Director			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	This company	All companies within the financial report	This company	All companies within the financial report
Less than NT\$2,000,000	Representative of Episil Holding Incorporation: Zhiming Huang, Yanliang Hou, Yiji Liu, Zhuangxi Zhang	Representative of Episil Holding Incorporation: Zhiming Huang, Yanliang Hou, Yiji Liu, Zhuangxi Zhang	Representative of Episil Holding Incorporation: Zhiming Huang, Yanliang Hou, Yiji Liu, Zhuangxi Zhang	Representative of Episil Holding Incorporation: Zhiming Huang, Yanliang Hou, Yiji Liu, Zhuangxi Zhang
NT\$2,000,000 (inclusive)-NT\$5,000,000 (exclusive)	Representative of Shen Yuan Co., Ltd.: Zhenxiong Hou, Representative of Shen Yuan Co., Ltd.: Huiming Wu, Representative of Shen Yuan Co., Ltd.: Chaohe Lin, Representative of Liang Cheng Investment Co., Ltd.: Baohe Chen, Representative of Rui He Court Construction Development Co., Ltd.: Bowen Hou	Representative of Shen Yuan Co., Ltd.: Zhenxiong Hou, Representative of Shen Yuan Co., Ltd.: Huiming Wu, Representative of Shen Yuan Co., Ltd.: Chaohe Lin, Representative of Liang Cheng Investment Co., Ltd.: Baohe Chen, Representative of Rui He Court Construction Development Co., Ltd.: Bowen Hou	Representative of Shen Yuan Co., Ltd.: Huiming Wu, Representative of Liangchen Investment Co., Ltd.: Baohe Chen, Representative of Rui He Court Construction Development Co., Ltd.: Bowen Hou	Representative of Shen Yuan Co., Ltd.: Huiming Wu, Representative of Liangchen Investment Co., Ltd.: Baohe Chen, Representative of Rui He Court Construction Development Co., Ltd.: Bowen Hou
NT\$5,000,000 (inclusive)–NT\$10,000,000 (exclusive)	Representative of Shen Yuan Co., Ltd.: Shuzhao Houwang, Representative of Shen Yuan Co., Ltd.: Yushu Hou, Representative of Shen Yuan Co., Ltd.: Jieteng Hou	Representative of Shen Yuan Co., Ltd.: Shuzhao Houwang, Representative of Shen Yuan Co., Ltd.: Yushu Hou, Representative of Shen Yuan Co., Ltd.: Jieteng Hou	Representative of Shen Yuan Co., Ltd.: Zhenxiong Hou, Representative of Shen Yuan Co., Ltd.: Yushu Hou, Representative of Shen Yuan Co., Ltd.: Chaohe Lin	Representative of Shen Yuan Co., Ltd.: Zhenxiong Hou, Representative of Shen Yuan Co., Ltd.: Yushu Hou, Representative of Shen Yuan Co., Ltd.: Chaohe Lin
NT\$10,000,000 (inclusive)–NT\$15,000,000 (exclusive)	None	None	None	None

NT\$15,000,000 (inclusive)–NT\$30,000,000 (exclusive)	None	None	Representative of Shen Yuan Co., Ltd.: Shuzhao Houwang, Representative of Shen Yuan Co., Ltd.: Jieteng Hou	Representative of Shen Yuan Co., Ltd.: Shuzhao Houwang, Representative of Shen Yuan Co., Ltd.: Jieteng Hou
NT\$30,000,000 (inclusive)–NT\$50,000,000 (exclusive)	None	None	None	None
NT\$50,000,000 (inclusive)–NT\$100,000,000 (exclusive)	None	None	None	None
Over NT\$100,000,000	None	None	None	None
Total	12 people	12 people	12 people	12 people

## 2 Remuneration to supervisors

December 31, 2014

Job title	Name	Remuneration Paid to Supervisors						Ratio of total (A), (B), and (C) to after-tax income		Whether or not remuneration of investees were received from outside the subsidiaries
		Remuneration (A)		Remuneration for distribution of earnings (B)		Business execution expenses (C)				
		This company	All companies within the financial report	This company	All companies within the financial report	This company	All companies within the financial report	This company	All companies within the financial report	
Supervisors	He Zhao Investment Co., Ltd.	1,130,000	1,130,000	1,191,192	1,191,192	60,000	60,000	0.22%	0.23%	0
Supervisors	Representative of He Zhao Investment Co., Ltd. Yuanyu Ke									
Supervisors	Xuefeng Zhang (Note 1)									
Supervisors	Taiwan Zhi Di Co. Ltd.									



Supervisors	Representative of Taiwan Zhi Di Co. Ltd.: Chaohe Lin (Note 1)									
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Note 1: (1) Shareholders' meeting was held on June 18, 2014 to re-elect supervisors

(2) Original supervisor: Xuefeng Zhang; New supervisor: Representative of Taiwan Zhi Di Co. Ltd.: Chaohe Lin

### Remuneration range table

Levels of remuneration paid to supervisors of the Company	Supervisor name	
	Total of (A+B+C)	
	This company	All companies within the financial report
Less than NT\$2,000,000	None	None
NT\$2,000,000 (inclusive)-NT\$5,000,000 (exclusive)	Xuefeng Zhang, Representative of He Zhao Investment Co., Ltd.: Yuanyu Ke, Representative of Taiwan Zhi Di Co. Ltd.: Chaohe Lin	Xuefeng Zhang, Representative of He Zhao Investment Co., Ltd.: Yuanyu Ke, Representative of Taiwan Zhi Di Co. Ltd.: Chaohe Lin
NT\$5,000,000 (inclusive)-NT\$10,000,000 (exclusive)	None	None
NT\$10,000,000 (inclusive)-NT\$15,000,000 (exclusive)	None	None
NT\$15,000,000 (inclusive)-NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive)-NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000 (inclusive)-NT\$100,000,000 (exclusive)	None	None
Over NT\$100,000,000	None	None
Total	3 people	3 people

### 3 Remunerations to president and vice president

December 31, 2014

Job title	Name	Salary (A)		Pension (B)		Bonus and special allowance (C)		Employee bonus (D)				Total Remuneration (A+B+C+D) as a % of Net Income		Shares acquired from employee stock options		Obtain the number of new shares that restrict employees' rights		Whether or not remuneration of investees were received from outside the subsidiaries
		This company	All companies within the financial report	This company	All companies within the financial report	This company	All companies within the financial report	This company		All companies within the financial report		This company	All companies within the financial report	This company	All companies within the financial report			
								Cash dividends amount	Stock dividends amount	Cash dividends amount	Stock dividends amount							
Chief executive officer	Zhenxiong Hou	26,121,236	27,681,236	1,545,366	1,545,366	19,396,853	19,396,853	1,046,637	0	1,046,637	0	4.53%	4.71%	0	0	0	0	0
Executive officer	Shuzhao Houwang																	
General manager	Jieteng Hou																	
Senior vice president	Chaohe Lin (Note 1)																	
Vice general manager	Kuanren Gu																	

Vice general manager	Binghua Huang																	
Vice general manager	Boxun Dong (Note 2)																	
Vice general manager	Qixie Lin																	

Note 1: Chaohe Lin served until June 17, 2014.

Note 2: Boxun Dong was promoted on July 10, 2014 from the assistant manager of the accounting department to vice president.

### Remuneration range table

Levels of remuneration paid to President and Executive Vice President of the Company	Names of presidents and vice presidents	
	This company	All companies within the financial report
Less than NT\$2,000,000	Boxun Dong	Boxun Dong
NT\$2,000,000 (inclusive)-NT\$5,000,000 (exclusive)	Chaohe Lin, Kuanren Gu, Binghua Huang, Qixie Lin	Chaohe Lin, Kuanren Gu, Binghua Huang, Qixie Lin
NT\$5,000,000 (inclusive)-NT\$10,000,000 (exclusive)	Shuzhao Houwang, Jieteng Hou	Jieteng Hou
NT\$10,000,000 (inclusive)-NT\$15,000,000 (exclusive)	Zhenxiong Hou	Zhenxiong Hou, Shuzhao Houwang
NT\$15,000,000 (inclusive)-NT\$30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive)-NT\$50,000,000 (exclusive)	None	None
NT\$50,000,000 (inclusive)-NT\$100,000,000 (exclusive)	None	None
Over NT\$100,000,000	None	None
Total	8 people	8 people

## Names of managers who received employee bonus and the details

December 31, 2014

	Job title	Name	Stock dividends amount	Cash dividends amount	Total	The total as a % of Net Income
Managers	Executive officer	Shuzhao Houwang	0	2,074,602	2,074,602	0.20%
	President	Jieteng Hou				
	Vice President	Kuanren Gu				
	Vice President	Binghua Huang				
	Vice President	Boxun Dong				
	Vice President	Qixie Lin				
	Assistant manager	Changhong Li				
	Assistant manager	Ruyin Fan				
	Assistant manager	Zhengbin Qiu				
	Assistant manager	Zhenyuan Chen				
	Assistant manager	Dexiu Chen				
	Assistant manager	Xiuqi Chen				
	Assistant manager	Junsheng Jian				
	Assistant manager	Ruyu He				
	Assistant manager	Zhechong Lin				
	Plant director	Fujin Chen				
	Plant director	Mingzong Liu				
	Plant director	Zongyu Wang				

**(4) Comparison of compensation paid by the Company and all the consolidated entities in the last two years to the Company's directors, supervisors, president and executive vice president as a percentage to the income of the next individual financial statement. Explanation on remuneration policies, standards and combination of the procedures in determining remuneration, and association with business performance and future risks.**

Job title	2013	2014
	Compensation paid by the Company and all the consolidated entities to the Company's directors, supervisors, president and executive vice president as a percentage to the income of the individual financial statement.	Compensation paid by the Company and all the consolidated entities to the Company's directors, supervisors, president and executive vice president as a percentage to the income of the individual financial statement.
Directors	5.73%	8.38%
Supervisors		
President and Vice President		

1. In accordance with the Company's Articles of Incorporation, the Company paid directors and supervisors compensation from the surplus of annual income after tax and fixed monthly remuneration identified by the Board, referencing standards adopted by the industry and listed companies.
2. The compensations paid by the Company to President and Vice President are reviewed by the board based on the Company's earnings, department performance, and their individual contribution.

### 3. Implementation of corporate governance

#### (1) Board of Directors Operation Status

In the last year, board meetings were held 7 (A) times. The directors and supervisors' attendance status is as follows:

Job title	Name	Number of actual attendee (B)	Number of attendance commissioned	Actual attendance (participation) rate (%) [B/A]	Note
Chairman	Shen Yuan Investment Co., Ltd. Representative: Zhenxiong Hou	0	0	0%	Dismissed on June 18, 2014
Chairman	Shen Yuan Investment Co., Ltd. Representative: Jieteng Hou	5	0	100%	Elected on June 18, 2014
Vice Chairman	Shen Yuan Investment Co., Ltd. Representative: Shuzhao Houwang	6	1	85.7%	Elected on June 18, 2014 (served consecutive terms)
Directors	Shen Yuan Investment Co., Ltd. Representative: Jieteng Hou	2	0	100%	Elected on June 18, 2014 (served consecutive terms)
Directors	Shen Yuan Investment Co., Ltd. Representative: Yushu Hou	7	0	100%	Elected on June 18, 2014 (served consecutive terms)
Directors	Shen Yuan Investment Co., Ltd. Representative: Huiming Wu	5	0	100%	Elected on June 18, 2014
Directors	Shen Yuan Investment Co., Ltd. Representative: Chaohe Lin	2	0	100%	Dismissed on June 18, 2014
Directors	Rui He Court Construction and Development Co., Ltd. Representative: Bowen Hou	2	0	100%	Dismissed on June 18, 2014
Directors	Zhiming Huang	2	0	100%	Dismissed on June 18, 2014
Directors	Baohe Chen	2	0	100%	Dismissed on June 18, 2014
Directors	Episil Holding Incorporation Representative: Zhiming Huang	5	0	100%	Elected on June 18, 2014
Directors	Liang Cheng Investment Co., Ltd. Representative: Baohe Chen	5	0	100%	Elected on June 18, 2014
Directors	Yanliang Hou	6	0	85.7%	Elected on June

					18, 2014 (served consecutive terms)
Independent Directors	Yiji Liu	5	0	100%	Elected on June 18, 2014
Independent Directors	Zhuangxi Zhang	5	0	100%	Elected on June 18, 2014
Supervisors	He Zhao Investment Co., Ltd. Representative: Yuanyu Ke	5	0	71.4%	Elected on June 18, 2014 (served consecutive terms)
Supervisors	Xuefeng Zhang	2	0	100%	Dismissed on June 18, 2014
Supervisors	Taiwan Zhi Di Co. Ltd. Representative: Chaohe Lin	5	0	100%	Elected on June 18, 2014

Other matters that should be recorded:

- I. Resolutions stated in Securities and Exchange Act §14-3 or other resolutions refused or reserved opinion by independent directors that are recorded or stated in paper should state dates of the board meeting, resolution content, opinions of all independent directors, and the Company's response. None.
- II. When there are recusals of independent directors due to conflicts of interests, names of the directors, contents of resolutions, reasons of recusals, and voting participation should be stated: None.
- III. Programs this year and in the most recent year in strengthening the functionality of the Board (for example, set up an auditing committee, improve transparency, etc.) and execution evaluation:
  - (1) The establishment of the Compensation Committee was approved on December 21, 2011 by the Board of Directors.
  - (2) Two independent directors were elected on June 18, 2014 in the shareholders' meeting, strengthening director independence and roles to enhance the operational efficiency of the board of directors.
  - (3) The directors and supervisors occasionally attended professional courses to continually learn about corporate governance.
  - (4) In addition to presenting work reports during board of directors meetings, the Company's internal audit chief periodically holds seminars for reviewing deficiencies in the Company's internal control systems, and directors and supervisors offer guidance during such seminars.
  - (5) The Company's auditors periodically submit auditing reports to independent directors and supervisors, seek audit-related opinions, and exercise corporate governance practices.

## (2) Participation of supervisors in Board operation

In the last year, board meetings were held 7 (A) times. The attendance status is as follows:

Job title	Name	Attendance in person (B)	Attendance rate (%) (B/A)	Note
Supervisors	He Zhao Investment Co., Ltd. Representative: Yuanyu Ke	5	71.4%	Elected on June 18, 2014 (served consecutive terms)
Supervisors	Xuefeng Zhang	2	100%	Dismissed on June 18, 2014
Supervisors	Taiwan Zhi Di Co. Ltd. Representative: Chaohe Lin	5	100%	Elected on June 18, 2014

Other matters that should be recorded:

- I. Supervisors and their responsibilities:
  - (1) Supervisors, employees and shareholders' communication (for example, communication channels, methods, etc.): Supervisors have offices in the company and have good communication with

employees and shareholders.

(2) Supervisors' communication with internal auditors and CPAs (for example, communication over the Company's financial and business status-the methods and results, etc.):

1. In addition to presenting work reports during board of directors meetings, the Company's internal audit chief periodically holds seminars for reviewing deficiencies in the Company's internal control systems, and directors and supervisors offer guidance during such seminars.
2. The Company's auditors periodically submit auditing reports to independent directors and supervisors, seek audit-related opinions, and exercise corporate governance practices.
3. When supervisors have doubts against the company's financial status, they may communicate with the relevant managers and accountants in person to understand the situation.

II. When supervisors express opinions during board meetings, the date of the board meeting, the term, contents of the resolution, decisions of the board, and response of the Company to the opinion should be stated: None.

**(3) State of operations of the audit committee:** Not applicable



**(4) Differences and Reasoning for the Status of Corporate Governance and Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies**

Assessed areas	Operation status			Differences and Reasoning for the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary	
1. Did the company formulate corporate governance principles based on "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and disclose such corporate governance principles?		✓	<p>The company did not establish corporate governance principles; however, the company does comply with the spirit of the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" for its operations.</p> <p>(1) The company complied with the spirit of the "Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies" and formulated and disclosed the following regulations on its website: Board Conference Rules, Critical Internal Material Information Processing Procedures, Ethical Code of Conduct for Directors, Supervisors and Managers, Ethical Corporate Management Principles, and Corporate Social Responsibility Best Practice Principles.</p> <p>(2) This company has established an effective internal control system based on its subsidiary company's overall operation activities, and will conduct review when necessary to respond to the company's internal and external environment changes as well as ensure that the system design and execution remain effective.</p> <p>(3) Major financial business practices such as acquisition or disposition of assets, fund lending, and guarantee endorsements must be processed pursuant to the relevant laws and regulations. Formulate "Asset Acquisition or Disposition Handling", "Fund Lending", "Guarantee Endorsement", and "Derivative Transaction Processing" related procedures; and submit these procedures at shareholder conferences for approval to safeguard the</p>	No difference

Assessed areas	Operation status			Differences and Reasoning for the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary	
			shareholders' rights.	
<p>2. Company Stock Equity Structure and Shareholders' Rights</p> <p>(1) Did the company establish internal procedures for addressing shareholder suggestions, doubts, disputes, and litigation matters and implement the procedures accordingly?</p> <p>(2) Does the company have in possession the list of major shareholders that have actual control over the company as well as the list of major shareholders with final control?</p> <p>(3) Did the company establish and execute risk control mechanism for affiliates, and firewall methods?</p> <p>(4) Did the company establish internal regulations stipulating that employees shall not use undisclosed information to engage in the transaction of marketable securities?</p>	✓		<p>(1) The company has appointed a spokesperson and deputy-spokesperson to announce and publicize important information and handle and respond to investors' suggestions.</p> <p>(2) The company has commissioned stock agencies to render the company's shareholder services and assigned dedicated personnel to take charge of equity ownership applications and gathering relevant equity ownership information.</p> <p>(3) Guarantee endorsement and financing for affiliated enterprises are subjected to strict internal regulations</p> <p>(4) The company has a Ethical Code of Conduct for Directors, Supervisors and Managers to prohibit employees from using undisclosed information to engage in the transaction of marketable securities.</p>	<p>(1) No difference</p> <p>(2) No difference</p> <p>(3) No difference</p> <p>(4) No difference</p>
<p>3. Board compositions and responsibilities</p> <p>(1) Did the board establish diverse goals based on its member compositions and realize such goals?</p> <p>(2) In addition to establishing the compensation committee and the audit committee in compliance with law, did the company voluntarily establish other functional committees? Did the company devise a guideline for board performance evaluation</p>	✓		<p>(1) The company has nine directors and two supervisors, each serving a term of 3 years. Candidates are nominated and two of the nine directors are independent directors. The board members have background in commerce, finance, accounting, management and industry, as well as knowledge, skills and literacy in aspects required for executing their duties.</p> <p>(2) The establishment of the Compensation Committee was approved on December 21, 2011 by the Board of Directors, and the Committee operates in accordance with the</p>	<p>(1) No difference</p> <p>(2) No difference</p> <p>(3) No difference</p>

Assessed areas	Operation status			Differences and Reasoning for the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary	
<p>and its evaluation method and periodically carry out performance evaluation every year?</p> <p>(3) Does the company evaluate the independence of CPAs on a regular basis?</p>			<p>Company's Compensation Committee Organizational Rules. No audit committee has been established yet.</p> <p>(3) Although the company has not yet established a guideline for board performance evaluation, the board operates according to relevant laws and regulations:</p> <ol style="list-style-type: none"> <li>1. The board of directors convenes a meeting at least once on a quarterly basis. A total of 7 board of directors meeting were held in 2014.</li> <li>2. The attendance rate of the directors and supervisors in the board of director meeting was above 92.2%.</li> <li>3. The attendance rate of the directors in the shareholders' meeting was 77.8%.</li> <li>4. The implementation of the company's "Board of Directors' Meeting Procedure" for directors to avoid discussing vital interests is going well.</li> </ol> <p>(4) The company periodically inspects the CPAs' independence and acquires a declaration letter from the CPAs regarding their independence and suitability for the job position.</p>	(4) No difference
4. Did the company establish a communication channel for its stakeholders, set up a stakeholders discussion forum on its website and respond in an appropriate manner to the important CSR issues which are of concern to stakeholders?	✓		The company maintains an effective communication channel with stakeholders, provides contact windows for all relevant issues and handles and respond to relevant suggestions in an appropriate manner.	A stakeholder discussion forum is currently being established.
5. Did the company commission stock agencies to handle matters pertaining to shareholders' meetings?	✓		<p>The company has commissioned stock agencies to handle matters related to the shareholders' meeting:</p> <p>Stock agency: Stock Agent Department, Yuanta Securities Co., Ltd.</p> <p>Address: B1, No. 210, Sec. 3, Chengde Rd., Datong Dist., Taipei</p>	No difference

Assessed areas	Operation status			Differences and Reasoning for the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary	
			City 10366 Website: www.yuanta.com Tel: (02)2586-5859 Fax: (02)2586-5977	
<p>6. Information disclosure</p> <p>(1) Did the company set up a corporate website to disclose business and financial information and corporate governance information?</p> <p>(2) Did the company adopt other information disclosure methods (such as establishing English websites, assign dedicated personnel to collect and disclose company data, implement the spokesperson system, upload the investor conference processes to the company's website, etc.)?</p>	✓		<p>(1) In addition to disclosing financial and business information on the Market Observation Post System as stated by law, the Company has dedicated an investor service section on its website (<a href="http://www.tunghosteel.com">http://www.tunghosteel.com</a>).</p> <p>(2) The company has established an English website, designated a spokesperson and deputy-spokesperson, formulated the "Company Spokesperson Statement Measures", disclosed company financial and business information on the Market Observation Post System and implemented the spokesperson system.</p>	<p>(1) No difference</p> <p>(2) No difference</p>
<p>7. Does the company have other critical information conducive to understanding the company's governance practices (such as employee rights, employee care, investor relations, supplier relations, stakeholder rights, training for directors and supervisors, risk management policies and risk measurement standards execution status, customer implementation status, liability insurance purchase statuses for directors and supervisors, etc.)?</p>	✓		<p>(1) The company has established an investor service and corporate governance section on its website to disclose crucial company codes, financial, business and corporate governance information as well as status of implementation.</p> <p>(2) The company has formulated Management Regulations for Transactions with Related Parties. Each related party and the Company have complied with such regulations and recused from matters of conflict of interests.</p> <p>(3) Directors and supervisors must still implement the education advancement matters and such matters are disclosed on the Market Observation Post System.</p> <p>(4) The company has a systematic approach for collecting, analyzing and integrating business information pertaining to exchange rates, market situations and the economy and for</p>	<p>(1) No difference</p> <p>(2) No difference</p> <p>(3) No difference</p> <p>(4) No difference</p> <p>(5) No difference</p> <p>(6) No difference</p>

Assessed areas	Operation status			Differences and Reasoning for the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summary	
			<p>formulating necessary strategies. Furthermore, the company convenes meetings to track and review such information to identify risks so that necessary response measures can be taken.</p> <p>(5) The company has purchased liability insurances for directors and supervisors to reduce and disperse the risks of directors or supervisors from causing major damages to the company and its shareholders due to illegal actions.</p> <p>(6) Please reference the operations overview section of the annual report for related comments on laborer and supplier relations.</p>	
8. Does the company produce governance self-assessment report or has the company commissioned other professional organizations to provide governance assessment report? (If yes, please detail the opinions proposed by the board of directors, the self-assessment, the commissioned assessment report, the major deficiencies or recommendations and improvement matters)		✓	The company has not yet produced a governance self-assessment report, but has undertaken self-assessments according to the corporate governance assessment procedures prescribed by the Financial Supervisory Commission.	No difference

**(5) If the company has established a remuneration committee, the committee's composition, duties, and operations much be disclosed.**

**1. Members of the Compensation Committee:**

Position (Note 1)	Condition	Does the person has over 5 years of working experiences and professional qualifications listed below			Status of Independence (Note 2)								Number of other public companies in which the member also serves as a member of their compensation committee	Note (Note 3)
		An Instructor or higher position in a department of commerce, law, finance, accounting, or other discipline related to the Company's business in a public or private tertiary education institute.	Judges, prosecutors, lawyers, accountants or other professional and technical staff sought after the company that are required to pass national exams or obtain certificates.	Has working experiences required by the business, law, finance, accounting, or company operations.	1	2	3	4	5	6	7	8		
Independent Directors	Zhuangxi Zhang			√	√	√	√	√	√	√	√	√	0	None
Independent Directors	Yiji Liu		√	√	√	√	√	√	√	√	√	√	0	None
Others	Chengming Zhu	√			√	√	√	√	√	√	√	√	0	None

Note 1: Identity type shall be filled-out as director, independent director, or others.

Note 2: If any of the following conditions listed below apply to a member within 2 years before being elected or during the member's tenure, please write a "√" in the open space under each condition code.

- (1) Not an employee of the company or its affiliates.
- (2) Non-company or its affiliated company director or supervisor. Independent directors who directly or indirectly holds more than 50% of voting shares for the company or its parent company are exempt.
- (3) Shareholders holding more than 1% of the total issued shares of the company under another name except him/herself, his/her spouse or children (minor). Those holding such amount of shares on behalf of others; or the top 10 natural person shareholders.
- (4) Not a spouse, second-degree relatives, or three-degree direct bloodline relatives of shareholders listed in the previous three items.
- (5) Chairman, supervisors, or employees who indirectly hold over 5% of the total corporate shares already issued, or the top 5 ranked shareholders (the chairman, supervisors, or employees).
- (6) Not a director, supervisor, manager or shareholder holding 5% or more of the shares of a specified company or institution that has a financial or business relationship with the Company.
- (7) Not a professional or an owner, partner, director, supervisor, manager or a spouse of the abovementioned who provides commercial, legal, financial, accounting services or consultation to the Company or an affiliate of the Company.
- (8) Does not meet the criteria listed in any Sections of Article 30 of the Company Act.

Note 3: If the member is a director, please specify whether the member meets provisions provided by Paragraph 5, Article 6 of the "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company with Shares Listed on the Stock Exchange or Traded Over the Counter".

## 2. Operation of Compensation Committee:

(1) The company's remuneration committee comprised 3 members.

(2) Current term for the members: The term of the 22nd board of directors expires on June 18, 2014. The latest remuneration committee has held two meetings (A); member qualifications and attendance records are as follows:

Job title	Name	Actual attendance number	Number of attendance	Attendance rate (%)	Note
Convener	Zhuangxi	2	0	100%	None
Committee	Yiji Liu	2	0	100%	None
Committee	Chengming	2	0	100%	None

Other matters that should be recorded:

1. If the board meeting does not adopt or revise the remuneration committee's ~~proposals~~, the board meeting's date, ~~period~~, motion ~~contents~~, and resolution decisions as well as the method by which the company handles the compensation committee's opinions shall be disclosed in detail (e.g. if the remuneration amount adopted by the board is superior to that proposed by the remuneration committee, the differences and reasons shall be explained): None.
2. If there are objections or reservations by the members that have been recorded in writing during the remuneration committee resolution, the remuneration committee meeting's date, period, motion content, the opinions of all of the members, and treatment of the member's opinions must be disclosed in detail: None.

## (6) Implementation of corporate social responsibility (CSR) in the Company and its subsidiaries

Assessed areas	Operation status			Reasons for the status differences compared to that listed by the Corporate Social Responsibility Practice for TWSE/GTSM-Listed Companies
	Yes	No	Summary	
<p>1. Implementation of corporate governance</p> <p>(1) Did the company establish corporate social responsibility policies or systems and review the implementation results?</p> <p>(2) Did the company provide social responsibility training on a regular basis?</p> <p>(3) Did the company establish full (part) time corporate social responsibility promotional units, and did the board of directors authorize high-level managements to handle such units and report to the board regarding handling status?</p> <p>(4) Did the company formulate reasonable remuneration policies, integrate employee performance appraisal systems with CSR policies and establish effective reward and punishment systems?</p>	✓		<p>(1) The company has established the Corporate Social Responsibility Best Practice Principles on March 25, 2015 and disclosed the Principles on its website following approval from the board of directors. The company will develop concrete plans and implement such plans according to the Principles.</p> <p>(2) The company has provided training to educate employees on work rules, encouraged them to participate in social welfare events and adopt carbon reduction measures.</p> <p>(3) All responsible units promote the company's social responsibility practices and report to their respective managers and board of directors regarding the status of promotion.</p> <p>(4) The company has established guidelines for remunerations, bonus and performance appraisal. Employees' salaries are determined by the complexity and difficulty of their duties, the weight of their authority and the level of their technical skills. Moreover, their responsibilities and performance are also taken into consideration. This information is described in work rules for employees.</p>	No differences.
<p>2. Development of Environmental Sustainability</p> <p>(1) Is the company committed to improving the efficiency of the various resources and using recycled materials which have a low impact on the environment?</p>	✓		<p>(1) The company has endeavored to improve energy efficiency through the establishment and certification of the ISO-50001 Energy Management System. The company uses green materials, recycles</p>	No differences.



Assessed areas	Operation status			Reasons for the status differences compared to that listed by the Corporate Social Responsibility Practice for TWSE/GTSM-Listed Companies
	Yes	No	Summary	
<p>(2) Did the company establish an appropriate environmental management system based on its industry characteristics?</p> <p>(3) Did the company monitor the impact of climate change on business operations, implement greenhouse gas audit and formulate energy conservation and carbon reduction as well as greenhouse gas cutback strategy?</p>			<p>waste steel and iron as raw materials for steelmaking to manufacture new products so that materials can be reused on a sustained basis.</p> <p>(2) The company has used the ISO-14001 Environmental Management System as a framework to actively promote industrial waste reduction and energy conservation measures. This entrenches the essence of pollution improvement and prevention as well as achieve excellent environmental management performance.</p> <p>(3) The company has continuously focused on climate change issues and actively participated in the greenhouse gas inventory promoted by the government. The early stage project and product carbon footprint verification policies will subsequently undergo the ISO-50001 Energy Management System establishment and certification to develop the next phase of energy conservation and carbon reduction as well as greenhouse gas cutback strategies.</p>	
<p>3. Safeguarding public welfare</p> <p>(1) Did the company formulate management policies and procedures in accordance with related regulations and internationally recognized conventions for human rights?</p> <p>(2) Did the company set up a complaint-filing mechanism and channel for employees and handle it in an appropriate manner?</p>	✓		<p>(1) The company adheres to internationally recognized conventions for human rights and relevant labor laws and protects the legal rights and interests of its employees.</p> <p>(2) The company has set up a suggestion box for its employees, periodically holds seminars on employees-employer relations, provides effective communication channels and efficiently responds</p>	No differences.

Assessed areas	Operation status			Reasons for the status differences compared to that listed by the Corporate Social Responsibility Practice for TWSE/GTSM-Listed Companies
	Yes	No	Summary	
<p>(3) Did the company provide workers with a safe and healthy working environment as well as periodic operational safety and health education?</p> <p>(4) Did the company establish regular employee communication mechanisms and reasonable methods to notify the employees of operational changes that may have major impacts?</p> <p>(5) Did the company establish effective training and development programs for employees' career development?</p> <p>(6) Did the company establish policies on consumer rights and interests and complaint-reporting procedures for research and development, product, operation and service processes?</p> <p>(7) Did the company comply with laws, regulations and international standards for the marketing and labeling of products and services?</p> <p>(8) Before cooperating with a supplier, did the company assess whether the supplier has engaged in activities that impact the environment and society?</p> <p>(9) (9) With regard to the contract signed between the company and its major suppliers, does it include provisions stipulating that the contract may be terminated any time when the supplier engages in activities that significantly influence the environment and society in violation to the company's CSR policies?</p>			<p>and handles employee matters.</p> <p>(3) The company provided employees with a safe and healthy working environment as well as necessary health and emergency facilities. The company also endeavored to mitigate risks to employee safety and health to prevent occupational hazards. Furthermore, the company provides training on safety and health education on a regular basis.</p> <p>(4) The company periodically convenes employer-employee meetings and establishes positive employees-employer relations.</p> <p>(5) According to business requirements, career planning and employee suitability, the company arranges training courses and offers training and development programs for employees' career development.</p> <p>(6) The company ensures product and service quality in pursuant to relevant regulations and establishes a sound after-sales service channel.</p> <p>(7) The company's products have passed verification standards of relevant certification organizations:</p> <ol style="list-style-type: none"> <li>1. CNS trademark certification from the Bureau of Standards, Ministry of Economic Affairs</li> <li>2. Bureau of Standards, Ministry of Economic Affairs, product registration and certification records</li> <li>3. OHSAS 18001/TOSHMS</li> <li>4. ISO 9001 quality management system certification</li> </ol>	

Assessed areas	Operation status			Reasons for the status differences compared to that listed by the Corporate Social Responsibility Practice for TWSE/GTSM-Listed Companies
	Yes	No	Summary	
			5. ISO 14001 quality management system certification 6. ISO 50001 quality management system certification 7. Ministry of International Trade and Industry JIS MARK factory certification 8. British Lloyd's E.U. construction use steel material CE MARK certification 9. Australasian Certification Authority for Reinforcing and Structural Steels hot-rolled steel product ACRS certification 10. American Bureau of Shipping ABS marine steel manufacturing certification 11. Det Norske Veritas DNV marine steel manufacturing certification 12. Zulassungsbescheinigung GL marine steel manufacturing certification 13. Bureau Veritas BV marine steel manufacturing certification 14. British Lloyd's Register LR marine steel manufacturing certification 15. Nippon Kaiji Kyokai Class NK marine steel manufacturing certification (8) The company periodically assesses its supplier records as a basis for determining whether to continue cooperating with its suppliers. (9) The company severs its cooperation with a supplier who violates the ISO 14001 management system or	

Assessed areas	Operation status			Reasons for the status differences compared to that listed by the Corporate Social Responsibility Practice for TWSE/GTSM-Listed Companies
	Yes	No	Summary	
			who is assessed to be unqualified.	
4. Strengthening information disclosure (1) Does the company disclose relevant and reliable information relating to corporate social responsibility on its website and on the Market Observation Post System?	✓		Has already established a website and disclosed the relevant information in accordance with the law and corporate social responsibility.	No differences.
5. If the company has established its own corporate social responsibility principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies", please specify the differences between its own principles and the code. The company has established its own corporate social responsibility principles based on the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies". Such principles were approved on March 25, 2015 in the meeting of the board of directors, and subsequently announced and implemented. The company will adhere to the regulations prescribed in the principles.				
6. Other critical information conducive to understanding the corporate social responsibility practices: (1) The steelmaking hearthstone must pass the environmental compatibility test methods in accordance with the international or national standards or those announced by the central competent authority. The company shall commission a legally valid processing plant to actively develop hearthstone recycling capabilities by transferring hearthstones into asphalt concrete aggregate, non-structural concrete aggregate, top- or bottom-layer-grade raw material pellets for pavement projects, or raw materials in cement products. (2) Emphasize environmental protection, prevent potential water, air, and soil pollution during the production process, and actively promote water recycling operations. The company has promoted carbon footprint certification and verification, passed the carbon footprint verification declaration for BV type steel and steel products in 2011, and passed ISO 50001: 2011/CNS 50001 Energy Management System Certification in 2012. It also acquired the BV verification declaration for greenhouse gas in 2013 and passed the carbon footprint verification for its products by the Industrial Development Bureau, MOEA. (3) The company actively participates in public welfare activities: 1. Sponsored the Solar Decathlon-Orchid House project held by the National Chiao Tung University. 2. Contributed donations for the 2014 Kaohsiung gas explosion incident. 3. Undertook the construction of the Huwei Dual gauge track bridge in Yunlin County. 4. Sponsored the "Pingtung Vocal Orchestra Training Program".				
7. If the company's product or corporate social responsibility report has passed the verification standards provided by the relevant certification organizations, the said product or report must be specified. The company has not yet compiled CSR reports.				

**(7) The integrity management status and measures adopted by the company and its subsidiaries**

Assessed areas	Operation status			Differences compared to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and its underlying reasons
	Yes	No	Summary	
<p>1. Formulation of integrity management policies and programs</p> <p>(1) Did the company explicitly indicate company rules and integrity management declaration policy in external files as well as the status of the commitment for active execution by the Board of Directors and the management levels?</p> <p>(2) Did the company establish programs for preventing unethical conduct as well as the status of the operating procedures, behavioral guidelines, and education and training operations for the program?</p> <p>(3) Did the company set up preventative measures targeting business activities more susceptible to unethical conduct or activities specified in the provisions prescribed in Paragraph 2, Article 7 of the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies?</p>	√		<p>(1) The company has established principles of integrity management which was approved on December 29, 2014 in the meeting of the board of directors and was subsequently announced and implemented. The company has also declared "integrity" as the company's operation motto on its website.</p> <p>(2) To prevent unethical conduct during business activities, the company has established stringent behavioral norms, ethical standards and regulations relating to appeal, reward and punishment systems in the company's "Board of Directors' Meeting Procedure", "Ethical Code of Conduct for Directors, Supervisors and Managers", "Critical Internal Material Information Processing Procedures" and "Work Rules".</p> <p>(3) The company has formulated Employees' Job Rotation Guidelines and periodic rotation operating procedures for related duties have been promoted to prevent the occurrence of malpractices in any form. The company encourages its employees to report to the directors, supervisors, managers, internal audit directors, or director of management department, in the event that they discover or suspect violation of laws and regulations or standards of ethical conduct and provide sufficient evidence proving thereof. In 2014, no incidents of unethical conduct or related occurrence were reported.</p>	No differences.

Assessed areas	Operation status			Differences compared to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and its underlying reasons
	Yes	No	Summary	
<p>2. Implementation of integrity management</p> <p>(1) Does the company assess the ethical conducts of its interacting parties and specify provisions of ethical conduct in the contract signed with such interacting parties?</p> <p>(2) Did the company set up full (part) time corporate social responsibility promotional units that are affiliated with the board of directors, and do such units report to the board regarding the status of implementation?</p> <p>(3) Did the company establish policies that prevent conflict of interests, provide appropriate channels for filing related complaints and implement such policies and channels?</p> <p>(4) Did the company establish effective accounting system and internal control systems and designate its internal audit units or commission an accountant to regularly review such systems?</p> <p>(5) Did the company periodically provide internal and external training programs on integrity management?</p>	√		<p>(1) The company appoints its credit unit to provide customer surveys during the company's external business activities and designates a legal department to review and execute contract terms.</p> <p>(2) The president's office, legal affairs office, audit office, and management unit of the company shall jointly promote the enterprise integrity management operations and supervision, and shall submit the Board of Director's reports as required.</p> <p>(3) To prevent conflicts of interests, the company has incorporated conflicts of interest avoidance policies in its "Board of Directors' Meeting Procedure", "Best Practice Principles" and "Ethical Code of Conduct for Directors, Supervisors and Managers". The company has also provided channels for filing related complaints and implemented such policies and channels.</p> <p>(4) The operations of the company's accounting system and internal control systems are evaluated by their respective units on a yearly basis and are inspected by internal auditors.</p> <p>(5) The company occasionally promotes integrity management principles on its quarterly magazines or during major meetings and requests its employees to comply with such principles.</p>	No differences.
<p>3. Operation of the company's whistle-blowing system</p> <p>(1) Did the company establish a specific whistle-blowing, reward and punishment system, set up a convenient</p>	√		<p>(1) The company has established complaint boxes at each of its plant. Employees can submit complaints through the complaint boxes or via email.</p>	No differences.

Assessed areas	Operation status			Differences compared to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and its underlying reasons
	Yes	No	Summary	
<p>complaint channel and assign designated personnel to handle the reported complaint?</p> <p>(2) Did the company establish standard operating procedures for investigating reported issues as well as relevant confidential mechanisms?</p> <p>(3) Did the company adopt measures for protecting the whistle-blower against improper treatment or retaliation?</p>			<p>Alternatively, employees can report to the directors, supervisors, managers, internal audit directors, or director of management department, in the event that they discover or suspect activities in violation of laws and regulations and provide sufficient evidence proving thereof. After such report has been confirmed to be true, the Company provided recognition according to relevant regulations.</p> <p>(2) The company records the reported event in writing and such event is investigated, handled and submitted as a report by relevant units.</p> <p>(3) According to the nature of the reported case and the situation of the whistle-blower, the company adopts necessary protective measures for keeping the whistle-blower's identity confidential to protect the whistle-blower against retaliation.</p>	
<p>4. Strengthening information disclosure</p> <p>(1) Did the company disclose the content and effectiveness of its integrity management principles on the company's website and the Market Observation Post System?</p>	√		The company's "Best Practice Principles" is published on the company's website and the Market Observation Post System.	No differences.
<p>5. If the company has established its own principles of integrity management based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies", clearly articulate the differences between its operations and the established code.</p> <p>The company has established its own principles of integrity management based on the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies". The code was published and implemented following approval from the board of directors on December 29, 2014. There are no differences in the company's operation and the regulations specified in the code.</p>				
<p>6. Other critical information conducive to understanding the operation of the company's integrity management: (e.g., review/revision of the company's integrity corporate management principles)</p> <p>(1) The "Board of Directors' Meeting Procedure" clearly describes that a director shall recuse himself or herself when matters that involve his or her interests</p>				

Assessed areas	Operation status			Differences compared to the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies" and its underlying reasons
	Yes	No	Summary	
<p>arise. If his or her participation is likely to damage the interest of the Company, the concerned person may not participate in discussion of or voting on the proposal and shall recuse himself or herself from the discussion or the voting. He or she may not exercise voting rights as a proxy for another director. The company's directors uphold a high level of self-discipline. If a motion involves the interests of the directors themselves, the directors shall adhere to the principles of recusal and abstain from participation.</p> <p>(2) The company has established Critical Internal Material Information Processing Procedures, which mandates that the company's directors, supervisors, managers and employees shall exercise due administrative diligence and duty of loyalty, undertake business activities according to the procedures and may not disclose important internal information to other parties.</p>				



**(8) If the company has established corporate governance codes and related bylaws, their query methods shall be disclosed Ethical Code of Conduct for Directors, Supervisors and Managers**

Chapter 1 General provisions

Article 1 Purpose and scope of application

To strengthen corporate governance and provide the Company's directors, supervisors and managers with an ethical code of conduct to follow during business activities. This "Ethical Code of Conduct for Directors, Supervisors and Managers" (hereafter referred to as this "Code") is based on the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and the Adoption of Codes of Ethical Conduct for TWSE/TPEX Listed Companies.

Article 2 Scope of application

This Code is applicable to the Company's directors, supervisors and managers.

The term "manager" as used in this Code means the General Manager and other persons of equivalent rank, Vice General Manager and other persons of equivalent rank, Assistant Manager and other persons of equivalent rank, the head of the finance department, and other persons with the authority to manage the company's affairs and sign documents in the company's name.

The term "relative" as used in this Code refers to spouse and relative within the third degree of kinship.

Article 3 Principle of good faith

The Company's directors, supervisors and managers shall execute their duties in a manner consistent with ethical standards, avoid demonstrating unethical behavior, comply with the principle of good faith, adhere to laws and regulations, protect the Company's rights and interests and avoid harming shareholders' interests, including handling conflicts of interests in a fair manner.

Chapter 2 Ethical Code of Conduct

Article 4 Prevention of conflicts of interest

Directors, supervisors and managers shall avoid conflicts or interest or interests conflicting with the overall benefits of the Company, including the inability to objectively and efficiently manage company affairs, or taking advantage of their position at the Company to directly or indirectly gain illicit benefits for themselves or their relatives.

When involved in lending transactions, major asset trading, purchase (sales) interactions, or provision of guarantee with the aforementioned individuals or their affiliated companies, the Company shall voluntarily report to the Board of Directors or Supervisors to explain any involvement in conflict of interest.

#### Article 5 Avoid opportunities for personal gain

Directors, supervisors and managers shall not engage in the following activities:

1. Engage in insider trading by using key internal information known to them but undisclosed to the public.
2. Plan to obtain personal gains by taking advantage of company property, information or their role in the Company.
3. Obtain inappropriate remunerations or considerations in any form other than those acquired from the Company.
4. Obtain improper benefits for themselves and relatives or accept endowments that may conflict with the interests of the Company.
5. Use company assets, resources or information for themselves.
6. Engage in activities that compete with the Company or involve profit exchange, except for those specified in the provisions of the Company Act or the Articles of Incorporation.

#### Article 6 Confidentiality

Unless otherwise authorized by shareholders' meetings and the Board of Directors or provided by law and regulation, directors, supervisors and managers shall assume duty of confidentiality for confidential information entrusted by the Company to the said individuals for safe keep, as well as for any other known company confidential information derived from any sources during typical business operations. "Confidential information" mentioned in this Code refers to entirely technical or non-technical information that is undisclosed to the public and pertains to the Company, its clients and suppliers.

#### Article 7 Fair dealing

Directors, supervisors and managers shall deal fairly with the Company's customers, suppliers, competitors and employees. They shall not request for, offer, pay or accept endowments, receptions, rebates, bribes or other improper benefits in any form, through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other unfair dealing practice.

#### Article 8 Protection and proper use of company assets

Directors, supervisors and managers shall be responsible for protecting company assets and ensuring their effective and legal use in business

activities. They shall avoid influencing the profitability of the Company due to theft, carelessness, misuse and waste.

#### Article 9 Compliance with laws and regulations

Directors, supervisors and managers shall adhere to the regulations stipulated in the Company Act and Securities and Exchange Act, regulations on the prevention of insider trading, stock trading and handling of business secret information, other relevant regulations as well as the rules and regulations of the Company.

#### Article 10 Encouraging reporting of illegal or unethical activities

The Company encourages its employees to report to the directors, supervisors, managers, internal audit directors, or director of management department, in the event that they discover or suspect directors, supervisors or managers to have violated laws and regulations or provisions of this Code and provide sufficient evidence proving thereof. After such report has been confirmed to be true, the Company shall provide recognition according to relevant regulations.

The Company shall endeavor to protect the identity and safety of the whistleblower against retaliation and any form of threats.

#### Article 11 Disciplinary measure

If directors, supervisors or managers violate the provisions of this Code and such violation is confirmed by the Company to be true, the Board of Directors shall be notified to take appropriate disciplinary action and determine relevant disciplinary measures. The Company shall immediately disclose the information of such events on the Market Observation Post System, including the title and name of violators, date of and reason for violation, code of violation, and the actions taken in response.

The Company shall establish an appeal system to provide remedies for the individual accused of violating this Code.

### Chapter 3 Procedures for exemption

#### Article 12 Procedures for exemption

If directors, supervisors or managers need to provide exemption from compliance with this Code, resolutions shall be passed by a majority vote at a meeting of the Board of Directors attended by two-thirds or more of all directors. Information including the title and name of the individual receiving exemption, the date and duration of the exemption passed by the Board of Directors, the reason for exemption, and the applicable criteria for exemption, shall be publicized on the Market Observation Post System. Such information enables shareholders to assess whether the resolution made

by the Board of Director is appropriate in order to prevent the occurrence of suspicious exemptions or exemptions requested at will, as well as to ensure that any matters related to exemption are properly controlled and managed to protect the interest of the Company.

#### Chapter 4 Method of disclosure

##### Article 13 Information disclosure.

The Company shall disclose this Code and any amendments to this Code in its annual report, prospectuses and on the Market Observation Post System.

#### Chapter 5 Enforcement

##### Article 14 Implementation

This Code and its amendments shall be enforced after approval by the Board of Directors and presented to each supervisor of the Company and during the shareholders' meeting.

Article 15 This Code is announced and implemented on December 29, 2014.

**(9) Critical information that can enhance the understanding of the company and its subsidiaries' corporate governance practices shall be disclosed.** Not applicable.

**(10) The internal control system implementation status shall disclose the following matters:**

**1. Statement on Internal Control (\*\*An original copy for this statement is available; personal seal must be printed)**

**Tung Ho Steel Enterprise Corporation**

**Internal Control System Statement**

Date: March 25, 2015

Based on the results of self-examination, the company's 2014 internal control system hereby declares the following:

1. The company acknowledges that the company's Board of Directors and managers are responsible for the implementation and maintenance of the internal control system, and that the company has already established such a system. The objective is to provide reasonable assurances that the goals of operational effectiveness and efficiency (including profitability, performance, asset security, etc.), financial report reliability, and regulatory compliance will be achieved.
2. The internal control system has inherent limitations, and no matter how well it is designed, the effective internal control system can only provide reasonable assurances for the three goals discussed above to be achieved. Moreover, the effectiveness of the internal control system may vary due to changes in the environment and circumstances. The company's internal control system has self-monitoring mechanisms that enables the company to take remedial actions once a deficiency is identified.
3. The company shall determine the effectiveness of the internal control system design and execution based on the internal control system effectiveness review items as provided by the "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereafter "Handling Regulations"). The Internal control system judgment items adopted by the "Handling Regulations" shall divide the internal control system into five components based on the management control process as follows: 1. Control environment, 2. Risk assessment, 3. Control operations, 4. Information and communication, and 5. Monitoring. Each component also comprised several items. Please see provisions provided by the "Handling Regulations" for the aforementioned items.
4. The company has already adopted the aforementioned internal control system judgment items to inspect the effectiveness of the internal control system design and implementation.
5. Based on the aforementioned inspection results, the company believes that the design and execution of its December 31, 2014 internal control system (including those adopted for supervision and management of subsidiary branches) are effective in terms of knowledge of operational effectiveness, level of efficiency fulfillment, financial reporting reliability, and regulatory compliance-related internal control system items; and that the company can reasonably achieve the aforementioned goals.
6. This statement of declaration shall be the primary content of annual report and prospectus, and shall be made available to the public. Should any of the aforementioned disclosure contents be fictitious or concealed in an illegal manner, the company shall bear legal responsibilities pursuant to Articles 20, 32, 171, and 174 of the Securities Exchange Act.
7. This declaration statement has been authorized by the Board of Directors on March 25, 2015, and all eight attendees of the Board have approved the contents of the declaration statement.

Tung Ho Steel Enterprise Corporation

Chairman: HENRY HO

President: HENRY HO

2. If the internal control system review is conducted by commissioned accountants, the said accountant review's report shall be disclosed: Not applicable.

**(11) The company's major deficiencies improvement status for internal personnel who have received penalties for violating provisions provided by the internal control system in recent years and up to the publication date of this annual report.** None

**(12) Critical resolutions made during shareholders and Board of Directors' meetings in recent years and up to the publication date of this annual report.**

Nature of the meeting	Meeting date	Critical resolution matters	Resolution status
Board of directors	2014.03.24	<ol style="list-style-type: none"> <li>1. Passed the consolidated financial statements for 2013.</li> <li>2. Passed the surplus allocation table for 2013.</li> <li>3. Passed the amendments to the company's accounting system.</li> <li>4. Passed the project on the expansion of the Taoyuan Plant Steel Rolling Line 2.</li> <li>5. Passed the donation made to the Tung Ho Steel Cultural Foundation.</li> </ol>	The entire Board adopted without objection.
Board of directors	2014.05.05	<ol style="list-style-type: none"> <li>1. Passed the financial derivative transactions undertaken by the Company.</li> <li>2. Passed the 22nd director and supervisor candidate list review.</li> <li>3. Passed the project on the procurement of equipment for the Taoyuan Plant Steel Rolling Line 2.</li> <li>4. Passed the project on the procurement of subcontracted equipment for the Taoyuan Plant Steel Rolling Line 2.</li> <li>5. Passed the selling of the stirrup bending machines and rebar bending forming machines for construction use to Dong Gang Construction Engineering Co., Ltd.</li> <li>6. Passed the donation allotted for the repair of the Huwei Dual gauge track bridge in Yunlin County.</li> </ol>	The entire Board adopted without objection.
Shareholder's meeting	2014.06.18	<p>Ratifications, discussions and election matters:</p> <ol style="list-style-type: none"> <li>1. Ratified 2013 business report and financial report.</li> <li>2. Ratified the surplus allocation table for 2013.</li> <li>3. Discussed and amended the Procedure for Acquisition and Disposal of Assets.</li> <li>4. Discussed and Policies and Procedures for Financial Derivatives Transactions.</li> <li>5. Re-election of directors and supervisors who have served their term.</li> <li>6. Removed the non-compete clause for directors and their representatives.</li> </ol>	The chairman required all shareholders to be present, and the request passed without dissent.
Board of	2014.06.18	<ol style="list-style-type: none"> <li>1. Passed the 22nd election for chairman and vice</li> </ol>	The entire

Nature of the meeting	Meeting date	Critical resolution matters	Resolution status
directors		chairman. 2. Passed the employment of Zhenxiong Hou as the company's chairman. 3. Passed the 2nd selection of members for the Compensation Committee.	Board adopted without objection.
Board of directors	2014.07.10	1. Passed the financial derivative transactions undertaken by the Company. 2. Established the baseline date for distribution of cash dividends in 2014. 3. Passed the remuneration proposal for the directors and supervisors of the 22nd term. 4. Passed the remuneration proposal for the company's managers. 5. Passed the 2013 proposals on the remuneration for directors and supervisors and bonus for managers. 6. Passed the proposal for promotion of the financial department vice president. 7. Passed the proposal for purchasing the ordinary shares of Katec Creative Resources Corporation. 8. Passed the proposal for selling the shares of Powerchip Semiconductor Corp.	The entire Board adopted without objection.
Board of directors	2014.08.12	1. Passed the company's Quarter 2 consolidated financial reports for 2014. 2. Agreed with the distribution of earnings and capital reduction pertaining to investments in the Zhenrui Investment Co., Ltd. 3. Passed the financial derivative transactions undertaken by the Company.	The entire Board adopted without objection.
Board of directors	2014.11.10	1. Passed the company's Quarter 3 consolidated financial reports for 2014. 2. Pass the proposal on the issuance of the 5th domestic unsecured convertible bonds. 3. Passed the financial derivative transactions undertaken by the Company.	The entire Board adopted without objection.
Board of directors	2014.12.29	1. Passed the financial derivative transactions undertaken by the Company. 2. Passed the 2015 audit plan. 3. Passed the company's "Best Practice Principles". 4. Passed the company's "Ethical Code of Conduct for Directors, Supervisors and Managers." 5. Passed the amendments to the Internal Control System Self-Assessment Operating Procedures. 6. Passed the amendments to the Internal Control System and Guidelines for the Implementation of Internal Audits. 7. Passed the distribution of year-end bonus for 2014. 8. Passed the performance appraisal standards for	The entire Board adopted without objection.

Nature of the meeting	Meeting date	Critical resolution matters	Resolution status
		<p>managers and year-end bonus distribution for 2014.</p> <p>9. Passed the US\$1,182,000 loan guarantee endorsement application case with the First Commercial Bank, Hanoi Branch for the subsidiary Dongyuan International Co, Ltd. (Dongyuan International).</p> <p>10. Passed the loan guarantee endorsement application case with the Taipei Fubon Commercial Bank Co., Ltd. for the subsidiary Fujian Dong Gang Steel Co, Ltd.</p>	
Board of directors	2015.03.25	<p>1. Passed the proposal on the impairment loss of the ordinary shares of Taiwan High Speed Rail Inc.</p> <p>2. Passed the surplus allocation table for 2014.</p> <p>3. Passed the "Corporate Social Responsibility Best Practice Principles".</p> <p>4. Passed the proposals relating to the convening of shareholders' annual general meeting in 2015.</p> <p>5. Passed the proposal on investments in Miaoli Plant equipment.</p> <p>6. Passed the donation made to the Tung Ho Steel Cultural Foundation.</p>	The entire Board adopted without objection.

**(13) The primary content of directors or supervisors who have dissented on critical resolutions passed by the Board of Directors, where such dissents have been recorded or documented in the most recent year up to the annual report publication date:** None

**(14) Summary of resignation or dismissal for chairman, general manager, accounting manager, finance director, head of internal audit, and R&D managers in the most recent year up to the annual report publication date:**

December 31, 2014

JOB TITLE	NAME	DATE OF DUTY ASSUMPTION	DATE OF DISMISSAL	REASON FOR RESIGNATION OR DISMISSAL
Chairman	Zhenxiong Hou	1990.04.27	2014.06.18	Term expiration



#### 4. Information on fees to CPA

##### (1) Information on fees to CPA

Name of the accounting firm	Name of the accountant		Audit period	Remark
KPMG International Cooperative	Cihui Li	Huizhi Kou	2014.01-2014.12	None

Monetary unit: Thousands of New Taiwan Dollars

Public expense item Amount bracket		Public expenses for audit	Non-public expenses for audit	Total
1	Lower than NT\$2,000,000	-	✓	✓
2	NT\$2,000,000 (inclusive)–NT\$4,000,000	-	-	-
3	NT\$4,000,000 (inclusive)–NT\$6,000,000	-	-	-
4	NT\$6,000,000 (inclusive)–NT\$8,000,000	✓	-	✓
5	NT\$8,000,000 (inclusive)–NT\$10,000,000	-	-	-
6	Over NT\$10,000,000 (inclusive)	-	-	-

Mone

tary unit: Thousands of New Taiwan Dollars

Name of the accounting firm	Name of the accountant	Public expenses for audit	Non-public expenses for audit					Accountant audit period	Note
			System design	Industrial and commercial registration	Human resources	Others	Subtotal		
KPMG International Cooperative	Cihui Li, Huizhi Kou	6,150	-	40	-	180	220	2014.01-2014.12	The non-public expense audit fee of NT\$180,000 is expended on research and development for 2013.

(2) If the accounting firm has been changed and the annual audit public expenses were lower for the year of the firm change compared to that of the previous year, then audit public expenses before and after the changes and the reason for such changes should be disclosed: Not applicable.

(3) If the audit public expense has been decreased by over 15% compared to the previous year, the amount, ratio, and reason of the public expense reduction shall be disclosed: Not applicable.

(4) Information on change of accountants: Not applicable.

**(5) The company's chairman, president, financial responsible person, or accounting affairs manager who has served in a certified public accountant firm or its affiliates:** Not applicable.

## 5. Share transfer by directors, supervisors, managers and shareholders holding more than 10% equity and changes to share pledging by them in the past year and up to the date of report

### (1) Share equity change status for directors, supervisors, managers, and major shareholders

Job title	Name	2014		up to March 31, 2015	
		The numbers of shares held added (subtracted)	The numbers of pledged shares added (subtracted)	The numbers of shares held added (subtracted)	The numbers of pledged shares added (subtracted)
Directors	Shen Yuan Investment Co., Ltd.	0	-3,630,000	0	0
Directors	Shen Yuan Investment Co., Ltd. Representative: Zhenxiong Hou (Note 1)	0	0	0	0
Directors	Shen Yuan Investment Co., Ltd. Representative: Shuzhao Houwang	0	0	0	0
Directors	Shen Yuan Investment Co., Ltd. Representative: Yushu Hou	0	0	0	0
Directors	Shen Yuan Investment Co., Ltd. Representative: Jieteng Hou	0	0	0	0
Directors	Shen Yuan Investment Co., Ltd. Representative: Chaohe Lin (Note 1)	0	0	0	0
Directors	Shen Yuan Investment Co., Ltd. Representative: Huiming Wu (Note 2)	0	0	0	0
Directors	Liang Cheng Investment Co., Ltd. (Note 2)	0	0	0	0
Directors	Liang Cheng Investment Co., Ltd. Representative: Baohe Chen (Note 2)	0	4,000,000	0	0
Directors	Episil Holding Incorporation (Note 2)	0	0	0	0
Directors	Episil Holding Incorporation Representative: Zhiming Huang (Note 2)	0	0	0	0
Directors	Rui He Court Construction and Development Co., Ltd. (Note 1)	0	0	0	0
Directors	Rui He Court Construction and Development Co., Ltd. Representative: Bowen Hou (Note 1)	0	0	0	0
Directors	Yanliang Hou	0	0	0	0
Directors	Zhiming Huang (Note 1)	0	0	0	0
Directors	Baohe Chen (Note 1)	0	0	0	0
Independent Directors	Yiji Liu (Note 2)	0	0	0	0
Independent Directors	Zhuangxi Zhang (Note 2)	0	0	0	0
Supervisors	He Zhao Investment Co., Ltd.	0	0	0	0
Supervisors	He Zhao Investment Co., Ltd. Representative: Yuanyu Ke	0	0	0	0
Supervisors	Taiwan Zhi Di Co. Ltd. (Note 2)	0	0	0	0
Supervisors	Taiwan Zhi Di Co. Ltd. Representative: Chaohe Lin (Note 2)	0	0	0	0
Supervisors	Xuefeng Zhang (Note 1)	0	0	0	0

Chairman	Zhenxiong Hou (Note 1)	0	0	0	0
Chairman/President	Jieteng Hou (Note 3)	0	0	0	0
Vice Chairman	Shuzhao Houwang	0	0	0	0
Senior vice president	Chaohe Lin (Note 4)	0	0	0	0
VP of production	Huiming Wu (Note 5)	0	0	0	0
Vice chairman of the sales department	Kuanren Gu	-15,000	0	0	0
Vice chairman of the sales department	Binghua Huang	0	0	0	0
Deputy Director of the Capital Trading Department	Qixie Lin	0	0	0	0
Vice president of the financial department	Boxun Dong (Note 6)	0	0	0	0
Assistant manager of the general manager's office	Changhong Li	0	0	0	0
Assistant manager of the sales department	Ruyin Fan	0	0	0	0
Assistant manager of the sales department	Zhengbin Qiu	-9,000	0	0	0
Assistant manager of the investment department	Xiuqi Chen	0	0	0	0
Assistant manager of the investment department	Zhenyuan Chen	-14,200	0	0	0
Assistant manager of the investment department	Dexiu Chen	0	0	0	0
Assistant manager of the foreign trade department	Junsheng Jian	0	0	0	0
Assistant manager of the systems engineering department	Zhechong Lin	0	0	0	0
Assistant manager of the management department	Ruyu He	0	0	0	0
Taoyuan plant director	Fujin Chen	0	0	0	0
Miaoli plant director	Mingzong Liu	0	0	0	0
Kaohsiung plant manager	Zongyu Wang	0	0	0	0
Major shareholders holding more than 10% of the shares	Shen Yuan Investment Co., Ltd.	0	-3,630,000	0	0

Note 1: Dismissed on 2014.6.18.

Note 2: Appointed on 2014.6.18.

Note 3: Appointed on 2014.6.18 as chairman and also assumed the duties of president.

Note 4: Dismissed on 2014.6.17.

Note 5: Applied for retirement on 2014.1.30.

Note 6: Promoted to vice president on 2014.7.10.

(2) Share equity transfer information for directors, supervisors, managers, and shareholders with a shareholding ratio of 10% or greater

Job title	Name	Reasons for the share equity transfer	Transaction date	Transaction counterparty	Relationship between the transaction counterparty; company, director, and supervisors as well as shareholders with more than 10% stake	Number of shares	Transaction price
Vice chairman of the sales department	Kuanren Gu	Disposition	2014.03	General transaction	Not applicable	-15,000	Not applicable
Assistant manager of the investment department	Zhenyuan Chen	Disposition	2014.06	General transaction	Not applicable	-14,200	Not applicable
Assistant manager of the sales department	Zhengbin Qiu	Disposition	2014.10	General transaction	Not applicable	-9,000	Not applicable

(3) Equity pledge information for directors, supervisors, managers, and shareholders with a shareholding ratio of 10% or greater

Name	Reason for pledge changes	Date of change	Transaction counterparty	Relationship between the transaction counterparty; company, director, and supervisors as well as shareholders with more than 10% stake	Number of shares	Shareholding ratio	Pledge ratio	Pledge loan (redemption) amount
Chairman of Shen Yuan Investment Co., Ltd.	Pledge	2000.11.	International bills	Not applicable	3,630,000 shares	12.04%	0.36%	None
Chairman of Shen Yuan Investment Co., Ltd.	Redemption	2014.07	International bills	Not applicable	3,630,000 shares	12.04%	0.36%	None
Director of Rui He Court Construction and Development Co., Ltd. (Note 1)	Pledge	2010.05	International bills	Not applicable	1,000,000 shares	0.11%	0.10%	None
Liang Cheng Investment Co., Ltd. Representative: Baohe Chen (Note 2)	Pledge	2014.10	Tachin Stock	Not applicable	4,000,000 shares	0.45%	0.40%	None

Note 1: Dismissed on June 18, 2014.

Note 2: Appointed on June 18, 2014.

**6. Information on relationship between any of the top ten shareholders (related party, spouse, or kinship within the second degree)**

**April 27, 2015**

NAME	SHARES HELD BY THE INDIVIDUAL		SHARES HELD BY SPOUSE AND MINOR CHILDREN		TOTAL SHARES HELD IN THE NAME OF ANOTHER PERSON		SHAREHOLDERS WITH THE TOP 10 SHAREHOLDING RATIOS WHO ARE RELATED, OR THEIR SPOUSES AND SECOND-DEGREE RELATIVES' NAMES AND THEIR RESPECTIVE RELATIONSHIPS.		NOTE
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Name (or name)	Relationship	None
Shen Yuan Investment Co., Ltd.	120,199,779	12.04%	0	0	0	0	Zhenxiong Hou	Responsible Person	None
Shen Yuan Investment Co., Ltd. Representative: Shuzhao Houwang	5,021,191	0.50%	26,103,950	2.62%	0	0	Zhenxiong Hou	Married couple	None
Shen Yuan Investment Co., Ltd. Representative: Yushu Hou	100,000	0.01%	0	0	0	0	Zhenxiong Hou	Father/child	None
Shen Yuan Investment Co., Ltd. Representative: Jieteng Hou	142,426	0.01%	75,000	0.01%	0	0	Zhenxiong Hou	Father/child	None
Shen Yuan Investment Co., Ltd. Representative: Huiming Wu	128,432	0.01%	0	0	0	0	None	None	None
Sen Yi Investment Co., Ltd.	77,488,877	7.76%	0	0	0	0	None	None	None
Nan Shan Life Insurance Company Ltd.	56,702,500	5.68%	0	0	0	0	None	None	None
Cathay Life Insurance Co., Ltd.	44,435,189	4.45%	0	0	0	0	None	None	None
China Life Insurance Co., Ltd.	33,207,597	3.33%	0	0	0	0	None	None	None
Public Service Pension Fund Management Committee	29,485,385	2.95%	0	0	0	0	None	None	None
Zhenxiong Hou	26,103,950	2.62%	5,021,191	0.50%	0	0	Shen Yuan Investment Co., Ltd.	Responsible Person	None

Shin Kong Life Insurance Co., Ltd.	23,745,000	2.38%	0	0	0	0	None	None	None
Norges Bank under the trust of Citibank	20,463,972	2.05%	0	0	0	0	None	None	None
Yu Tai Investment Co., Ltd.	18,855,193	1.89%	0	0	0	0	None	None	None

**7. The shareholding of the Company, director, supervisor, management and an enterprise that is directly or indirectly controlled by the Company in the invested company**

Unit: 1000 shares; %

Joint Investment Enterprise	This company's investment		Directors, supervisors, managers, and investments that directly or indirectly control the enterprise		Comprehensive investment	
	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio
Siaogang Warehouse	3,159	19.87	0	0	3,159	19.87
Hexawave Inc.	11,688	16.35	2,396	3.35	14,084	19.70
Taiwan Aerospace	1,621	1.19	0	0	1,621	1.19
Overseas investment	1,000	1.11	0	0	1,000	1.11
Li-Shi Venture Capital Inc.	1,017	5.68	0	0	1,017	5.68
Li-Yu Venture Capital	855	4.76	0	0	855	4.76
Taiwan High Speed Rail	123,763	1.18	0	0	123,763	1.18
Dongjing Investment	0	9.02	0	0	0	9.02
Industrial Bank of Taiwan	2,365	4.17	0	0	2,365	4.17
Global Venture	2,800	2.33	0	0	2,800	2.33
Chien Shing Harbor Service	7,860	12.20	0	0	7,860	12.20
Katec Creative Resources-special stock	2,340	65.18	0	0	2,340	65.18
Andes Technology	500	1.43	0	0	500	1.43
Tung Ho Wind Power	15,500	100.00	0	0	15,500	100.00
Dongyuan International	0.08	100.00	0	0	0.08	100.00
Dong Gang Steel	117,407	97.35	2,801	2.32	120,208	99.67
Taiwan Steel United Inc.	36,011	25.22	0	0	36,011	25.22
Katec Technology	4,268	46.19	0	0	4,268	46.19
Katec Creative Resources	23,214	85.63	0	0	23,214	85.63
BySources Investment	500	49.00	0	0	500	49.00
Goldham Development Ltd.	15,000	100.00	0	0	15,000	100.00
Fujian Dong Gang Steel	0	0	0	100.00	0	100.00
Dong Gang construction process	0	0	15,001	100.00	15,001	100.00
Fujian Sino-Japan Metal	0	0	0	35.00	0	35.00
3 Oceans International Inc.	0	0	2,000	66.67	2,000	66.67
De-ho International	0	0	0	49.25	0	49.25
Apex Venture Capital Corporation	0	0	1,085	2.8	1,085	2.8
China Products	0	0	3	0.66	3	0.66



De-an Venture Capital Corporation	0	0	1,991	5.69	1,991	5.69
Gapura	0	0	592	11.11	592	11.11
Ding-Xing Development	0	0	150	15.00	150	15.00

## IV. Fund-raising Conditions

### 1. Capital and Shares

#### (1) Source of capital

April 27, 2015

Type of shares	Authorized capital			Note
	Outstanding shares	Unissued shares	Total	
Listed ordinary shares	998,221,448	201,778,552	1,200,000,000	None

Unit: NT\$/share

Year/ month	Issuing price	Authorized capital		Paid-in share capital		Note		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Offset share amount with assets other than cash	Others
2013.03	10	1,200,000,000	12,000,000,000	991,771,203	9,917,712,030	The company transferred bonds into NT\$42,725,100 worth of ordinary shares in Quarter 4 of 2012	None	March 18, 2013 Shou-Shang-Zi No. 10201046600
2013.06	10	1,200,000,000	12,000,000,000	998,146,821	9,981,468,210	The company transferred bonds into NT\$63,756,180 worth of ordinary shares in Quarter 1 of 2013	None	June 3, 2013 Shou-Shang-Zi No. 10201103060
2013.09	10	1,200,000,000	12,000,000,000	998,202,069	9,982,020,690	The company transferred bonds into NT\$552,480 worth of ordinary shares in April of 2013	None	September 3, 2013 Shou-Shang-Zi No. 10201181010
2014.12	10	1,200,000,000	12,000,000,000	998,221,448	9,982,214,480	The company transferred bonds into NT\$193,790 worth of ordinary shares in July 2014	None	December 5, 2014 Shou-Shang-Zi No. 10301251470

#### (2) Shareholder structure

Benchmark date: April 27, 2015

Shareholder structure Quantity	Government organizations	Financial institutions	Other legal persons	Individual	Foreign organizations and foreign individuals	Total
Number of people	5	23	158	69,102	191	69,479
Shares held	32,337,668	187,881,432	293,818,460	378,153,958	106,029,930	998,221,448
Shareholding ratio	3.24%	18.82%	29.43%	37.90%	10.61%	100%

**(3) Dispersion of equity ownership**

Par value of NT\$10 per share

Baseline date: April 27, 2015

Shareholding classification	Number of shareholders	Shares held	Shareholding ratio (%)
1 - 999	26,802	5,756,399	0.58
1,000 - 5,000	29,972	66,589,934	6.67
5,001 - 10,000	6,679	50,980,976	5.11
10,001 - 15,000	2,154	26,549,931	2.66
15,001 - 20,000	1,260	23,147,951	2.32
20,001 - 30,000	1,035	25,897,664	2.59
30,001 - 50,000	765	30,497,765	3.06
50,001 - 100,000	427	30,581,992	3.06
100,001 - 200,000	197	27,114,569	2.72
200,001 - 400,000	72	20,333,724	2.04
400,001 - 600,000	27	12,656,385	1.27
600,001 - 800,000	9	6,121,016	0.61
800,001 - 1,000,000	12	11,128,590	1.11
1,000,001 and above	68	660,864,552	66.20
Total	69,479	998,221,448	100

**(4) List of major shareholders** Shareholders with equity ratio of more than 5% or the names of the top 10 shareholders as well as their shareholding amount and ratio.

Benchmark date: April 27, 2015

Shares Name of the primary shareholder	Shares held	Shareholding ratio (%)
Shen Yuan Investment Co., Ltd.	120,199,779	12.04%
Sen Yi Investment Co., Ltd.	77,488,877	7.76%
Nan Shan Life Insurance Company Ltd.	56,702,500	5.68%
Cathay Life Insurance Co., Ltd.	44,435,189	4.45%
China Life Insurance Co., Ltd.	33,207,597	3.33%
Public Service Pension Fund Management Committee	29,485,385	2.95%
Zhenxiong Hou	26,103,950	2.62%
Shin Kong Life Insurance Co., Ltd.	23,745,000	2.38%
Norges Bank under the trust of Citibank	20,463,972	2.05%
Yu Tai Investment Co., Ltd.	18,855,193	1.89%

**(5) Stock price, net worth, earnings, dividends and related information for the previous two years**

Unit: NT\$

Year			2013	2014	up to March 31, 2015
Item					
Market price per share	Maximum		30.65	27.35	24.30
	Minimum		22.80	22.80	23.20
	Average		27.31	25.18	23.73
Book value per share	Before distribution		23.19	23.05	Not applicable
	After distribution (Note 1)		21.59	Not distributed	Not applicable
Earnings per share	Weighted average number of shares (in thousands)		997,942	998,211	Not applicable
	Earnings per share	Before retroactive (Note 2)	2.12	1.06	Not applicable
		After retroactive (Note 2)	2.12	Not distributed	Not applicable
Dividend per share	Cash dividends (NT\$)		1.60	1.30(Note 6)	Not applicable
	Stock dividends	Retained Earnings Allotment Shares	0	0	Not applicable
		Capital Surplus	0	0	Not applicable
	Accumulated unpaid dividends		0	0	Not applicable
Return on investment	Price-earnings ratio (Note 3)		12.88	23.75	Not applicable
	Price-dividend ratio (Note 4)		17.07	Not distributed	Not applicable
	Cash dividend yield (Note 5)		5.86%	Not distributed	Not applicable

Note 1: Fill-in based on the circumstances of the shareholders' meetings for the next year.

Note 2: Imputed based on basic earnings per share

Note 3: Price earning ratio = average closing price per share for the year / earnings per share.

Note 4: Price earning ratio = average closing price per share for the year / cash dividends.

Note 5: Cash dividend yield = cash dividends / average closing price per share for the year.

Note 6: The Board of Directors has passed the resolution for the 2014 annual earnings distribution on March 25, 2015. The cash dividend allocation of NT\$1.30 per share was proposed but is subject to approval by the shareholders.

## **(6) Dividend policy and implementation status**

### **1. Dividend policy**

According to the Company's Articles of Incorporation, if there is a surplus in the balance sheet for the year, the surplus is appropriated after taxes as follows:

- (1) Make up for losses of previous years.
- (2) Set aside ten percent as the statutory surplus reserve.
- (3) Set aside for special reserve as required by the company's operational needs or provided by the regulations.
- (4) Set aside 3% of the chairman and supervisor remuneration funds as well as 3% of the employee bonuses. The total amount set aside shall be fixed. If the employees' bonuses are new stock allotments, employee stocks shall be calculated based on the closing price at the day before the shareholders' meeting.
- (5) The Board of Directors shall draft the proposal for shareholder dividend allocation based on the accumulated undistributed earnings of the previous years, and submit the draft to the shareholder's meeting for approval: The company's operational life span has reached a positive, stable, and mature stage. With regard to the allocation of dividends to shareholders, cash dividends shall not be less than 80% and stock dividends shall not be higher than 20%.

2. Dividend distribution to be proposed to the shareholders' meeting: After the company's 6th annual Board of Director's meeting of the 22nd term has approved to allocate cash dividends of NT\$1.30 per share, amounting to NT\$ 1,297,687,882 with a total of 998,221,448 shares, if the company bond can be transferred into ordinary shares subsequently or the number of shares outstanding is affected for some other reason and caused the interest rate for the allocated shares to change as a result, the chairman shall be authorized to provide adjustments accordingly.

**(7) Effect of the proposed stock dividends (to be adopted by the Shareholders' Meeting) on the operating performance and earnings per share:** Not applicable.

## **(8) Employee bonus and remuneration to directors and supervisors**

1. The percentage or range of employees' bonuses as well as the director and supervisors' remunerations provided by the Articles of Incorporation: Set aside 3% of the chairman and supervisor remuneration funds as well as 3% of the employee bonuses. The total amount set aside shall be fixed. If the employees' bonuses are new stock allotments, employee stocks shall be calculated based on the closing price at the day before the shareholders' meeting.

2. Accounting treatment if the actual allocated amount is different than the estimated amount for the current accrued employee's bonuses, the director and supervisor's remunerations, and the share calculation for bonus shares allocations. The company's 6th annual Board of Director's meeting of the 22nd term held on March 25, 2015 has passed the resolution to allocate NT\$32,737,901 for remuneration to the directors and supervisors, and NT\$32,737,901 for employee bonuses. These actions conform to the company's Articles of Incorporation. If the actual amounts distributed during the shareholders' meeting are different than the estimates, it shall be considered as account estimate changes and shall be listed as an income or loss for the following year.

3. Employees' bonus resolved by the board of directors:

- (1) Resolution was adopted to allocate employee cash bonuses, stock dividends, and remuneration for the directors and supervisors. If the amount is different than the estimated annual expense amounts, the discrepancy amount, reason, and disposal status shall be disclosed: The company's 6th annual Board of Director's meeting of the 22nd term held on March 25, 2015 has passed the resolution to allocate NT\$32,737,901 for remuneration to the directors and supervisors, and NT\$32,737,901 as employee bonuses. If the actual amounts distributed during the shareholders' meeting are different than the estimates, it shall be considered as account estimate changes and shall be listed as an income or loss for the following year.
- (2) The ratio of proposed employee stock bonus allocation compared to the individual financial report net income for the quarter and the total employee bonuses. Not applicable

- (3) Post-tax earnings per share after the proposed employee bonuses and director/supervisor remunerations: Post-tax basic earnings per share is NT\$1.06 after the proposed employee bonuses and director/supervisor remunerations.

4. If the actual employee bonus and director/supervisor remuneration allocations status (including allocated share number, amount, and share price) for the previous year showed discrepancies compared to that of the recognized employee bonuses and director/supervisor remunerations; the discrepancy number, reason, and remediation method must be described in detail. The 2014 employee bonuses amounted to NT\$57,161,096; and the director/supervisor remunerations amounted to NT\$57,161,096 in 2013. The actual amount allocated showed no discrepancies compared to that of the recognized employee bonuses and director/supervisor remuneration amounts.

Unit: NT\$

Item	Actual allocation	The status of the proposed allocation approved by the Board	Difference
Employee cash bonuses	57,161,096	57,161,096	None
Director and supervisor remunerations	57,161,096	57,161,096	None

(9) **Stock buyback:** Not applicable

## 2. Corporate bonds

### (1) Issuance of corporate bonds

March 31, 2015

Company bond type	The 5th domestic unsecured convertible bonds (Note)	The 6th domestic unsecured convertible bonds
Date of issue	2009.07.21	2012.11.05
Face value	NT\$100,000	NT\$100,000
Location of issuance	Gre Tai Securities Market	Gre Tai Securities Market
Issuing price	Issued based on face value	Issued based on face value
Total amount	NT\$2,500,000,000	NT\$2,500,000,000
Interest rate	0%	0%
Deadline	5 year period	5 year period
Guarantee institution	None	None
Commissioned party	Trust Department of Fubon Commercial Bank Co., Ltd.	Trust Department of Fubon Commercial Bank Co., Ltd.
Underwriting institution	Fubon Securities Co., Ltd.	Cathay Securities Corp.
Visa attorney	Kuncheng Wang	Kuncheng Wang
Visa accountant	Qihua Wu, Huizhi Kou	Cihui Li, Qihua Wu
Repayment method	Unless conversion method is used or unless redeemed, the full amount shall be repaid with cash upon maturity.	Unless conversion method is used or unless redeemed, the full amount shall be repaid with cash upon maturity.
Outstanding principal	NT\$0	NT\$2,500,000,000
The terms of redemption or prepayment	1. Bond redemption yield of 0.3% in annual interest from one month after the issuance date to three full years after the issuance date. 2. Bond redemption yield of 0.3% in annual interest from three years after the issuance date to four full years after issuance.	1. Bond redemption yield of 0.5% in annual interest from one month after the issuance date to three full years after the issuance date. 2. Bond redemption yield of 0.75% in annual interest from three years after the issuance date to four full years after issuance.

Restriction clause	None	None
The credit rating institution's name, date of rating, and corporate bond rating results.	Not applicable	Not applicable
Other rights attached	Converted to ordinary (exchange or subscription) shares, global depository receipts, or other marketable securities as of the date of this annual report.	1. Applied to convert a total of 15,971 bonds to 54,001,612 shares. 2. When the bonds expired in July 2013 four years after issuance, bond holders have submitted applications for redemption rights for 93 bonds. 3. On July 21, 2014, there were 8,936 bonds outstanding.
	Issuance and conversion (exchange or subscription) method	Omit
Issuance and conversion, exchange or subscription methods, and the condition of issuance that may dilute share equity and affect equity rights for the existing shareholders.	None	None
Name of the commissioned custodian institution for the exchange bid	None	None

Note: Trade for Dong Gang shares ended on July 22, 2014

## (2) Information on convertible bonds

Unit: NT\$

Company bond type		The 5th domestic unsecured convertible bonds		
Year		2013	2014 (Note 2)	From this year to March 31, 2015 (Note 2)
Item	Maximum	112.00	106.45	Not applicable
	Minimum	101.50	99.85	Not applicable
	Average	106.11	101.51	Not applicable
Conversion price		27.15 or 25.80 (Note 1)	25.80	Not applicable
Issuance date and conversion price during issuance		Issuance date: July 21, 2009, conversion price during issuance NT\$33.66	Issuance date: July 21, 2009, conversion price during issuance NT\$33.66	Not applicable
Method of conversion		Issuance of new shares	Issuance of new shares	Not applicable

Note 1: Cash dividend for the 5th domestic unsecured bond conversion was adjusted to 25.80 on July 29, 2013.

Note 2: Trade for Dong Gang shares ended on July 22, 2014

Unit: NT\$

Company bond type		The 6th domestic unsecured convertible bonds		
Year		2013	2014	2013 up to March 31, 2015
Item	Maximum	104.00	104.00	103.00
	Minimum	99.95	100.35	101.00
	Average	102.12	101.85	101.59
Conversion price		30.00 or 28.50 (Note 1)	28.50 or 26.73 (Note 2)	26.73
Issuance date and conversion price during issuance		Issuance date: November 5, 2012, conversion price during issuance NT\$30.00	Issuance date: November 5, 2012, conversion price during issuance NT\$30.00	Issuance date: November 5, 2012, conversion price during issuance NT\$30.00
Method of conversion		Issuance of new shares	Issuance of new shares	Issuance of new shares

Note 1: Cash dividend for the 6th domestic unsecured bond conversion was adjusted to 28.50 on July 29, 2013.

Note 2: Cash dividend for the 6th domestic unsecured bond conversion was adjusted to 26.73 on August 12, 2014.

### 3. Issuance of global depositary receipts (GDR)

Benchmark date: March 31, 2015

Issuance (processing) date			September 22, 1994
Item			
Issuance (processing) date	1994.09.22		
Location of issuance	Bourse de Luxembourg		
Total amount issued	USD103,200,000		
Unit issuance price	USD17.20		
Total issuance units	6,000,000 units		
Source of securities with recognized value	Ordinary shares of Tung Ho Steel Enterprise Corporation		
Number of value recognized securities	68,610,809 shares		
Rights and obligations of the depositary receipt holders	Enjoy the same rights and obligations as Tung Ho Steel Enterprise Corporation shareholders		
Commissioned party	The Bank of New York Mellon Corporation		
Depository institution	The Bank of New York Mellon Corporation		
Custodian institution	Far Eastern International Bank		
Unredeemed balance	734,513 units		
Allocation method for the related expenses during the issuance and subsisting periods	The issuance expenses shall serve as capital surplus reduction, and the subsisting period expenses shall serve as current expenses		
Critical agreement matters for depositary and custodial contracts	The depository institution shall exercise the voting rights of the original securities attached to the depositary receipts in accordance with the instructions provided by the deposit receipt holders as well as the depositary contract and the laws and regulations of the Republic of China		
Market price per unit	2013	Maximum	10.54
		Minimum	7.69
		Average	9.23
	2014	Maximum	8.98
		Minimum	7.29
		Average	8.32
	up to March 31, 2015	Maximum	7.80
		Minimum	7.36
		Average	7.53

**4. Issuance of preferred stocks:** None

**5. Issuance of employee stock options and restricted stock awards:** None

**6. Mergers, acquisitions or issuance of new shares for acquisition of shares of other companies:** None



## 7. Status of the capital utilization plan implementation

### Issued the 4th and 5th cash capital increase that can be converted to company bonds

#### (1) Content of the original plan

1. Plan item: Construct the Taoyuan Guanyin plant.
2. Competent authority approval date and number: May 7, 2008, Jin-Guan-Zheng-Yi-Zi No. 0970018276
3. Total funds required for the plan: NT\$7,602,228,000
4. Source of funds:
  - (1) Issue the fourth unsecured domestic convertible company bond in the amount of NT\$3,500,000,000
  - (2) Other: The amount raised is still NT\$4,102,228,000 short to support this plan. The company will make up for the shortfall through its own funds and bank loans.
5. Plan items and reserve funds spending progress

Unit: NT\$1,000

Plan item	Expected complete date	Total funding required	Reserve funds spending progress						
			2008			2009			
			Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Construct the Taoyuan Guanyin plant	Fourth quarter of 2009	7,602,228	1,210,222	440,218	1,077,071	783,592	146,739	3,380,900	563,486

(2) Content of project change: Entered into the Market Observation Post System on July 2, 2009, and submitted to the shareholder' meeting on June 25, 2010

1. Plan item: Construct the Taoyuan Guanyin plant
2. Competent authority approval date and number: July 9, 2009, Jin Guan Zheng Yi Zi No. 0980030724 and July 9, 2009 Jin Guan Zheng Yi Zi No. 09800307241
3. Total funds required for the plan: NT\$8,282,809,000
4. Source of funds:
  - (1) Issue the fourth unsecured domestic convertible company bond in the amount of NT\$3,500,000,000
  - (2) Issue the 5th unsecured domestic convertible company bond in the amount of NT\$2,500,000,000
  - (3) Issued 44,500,000 shares for cash capital increase with the face value of NT\$10 per share and the issuance price of NT\$26 per share. A total amount of NT\$1,157,000,000 was raised.
  - (4) Other: The amount raised is still NT\$1,125,809,000 short to support this plan. The company will make up for the shortfall through its own funds and bank loans.

## 5. Plan items and reserve funds spending progress

Unit: NT\$1,000

Plan item	Expected complete date	Total funding required	Reserve funds spending progress										
			2008			2009				2010			
			Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter	First quarter	Second quarter	Third quarter	Fourth quarter
Construct the Taoyuan Guanyin plant	2010 Fourth quarter	8,282,809	426,291	32,368	1,045,859	461,201	1,403,437	2,531,342	960,953	854,931	421,206	18,673	126,548

(3) Reason for change: The plant construction costs were raised to NT\$8,482,324,000 due to a price increase for steel and some design changes. However, the chairman was authorized on June 8, 2009 to consider the urgency of the office building and dormitory constructions, and approved NT\$8,282,809,000 for the Taoyuan plant construction on June 19, 2009.

(4) Benefits before and after the change:

Anticipated benefits that may occur before the change

Unit: Thousands of New Taiwan Dollars; Metric ton

Year	Item	Production volume	Sales volume	Sales value	Gross margin	Operating net profit
2010	Billet, rebar, and wire materials	500,000	500,000	9,210,600	697,218	448,338
2011	Billet, rebar, and wire materials	650,000	650,000	12,236,144	825,719	512,559
2012	Billet, rebar, and wire materials	1,000,000	1,000,000	18,566,895	1,220,135	840,223
2013	Billet, rebar, and wire materials	1,000,000	1,000,000	18,938,233	1,251,727	864,216
2014	Billet, rebar, and wire materials	1,000,000	1,000,000	19,316,998	1,283,950	888,689
2015	Billet, rebar, and wire materials	1,000,000	1,000,000	19,703,338	1,316,818	913,652
2016	Billet, rebar, and wire materials	1,000,000	1,000,000	20,097,404	1,350,344	939,114
2017	Billet, rebar, and wire materials	1,000,000	1,000,000	20,499,353	1,384,540	965,086
2018	Billet, rebar, and wire materials	1,000,000	1,000,000	20,909,340	1,419,420	991,577
2019	Billet, rebar, and wire materials	1,000,000	1,000,000	21,327,526	1,454,997	1,018,597

Unit: Thousands of New Taiwan Dollars; Metric ton

Year	Item	Production volume	Sales volume	Sales value	Gross margin	Operating net profit
2010	Billet, rebar, and wire materials	350,000	350,000	5,996,100	431,240	277,409
2011	Billet, rebar, and wire materials	650,000	650,000	11,746,698	753,257	467,577
2012	Billet, rebar, and wire materials	1,000,000	1,000,000	17,824,219	1,112,499	767,065
2013	Billet, rebar, and wire materials	1,000,000	1,000,000	18,470,086	1,159,829	800,124
2014	Billet, rebar, and wire materials	1,000,000	1,000,000	18,930,658	1,221,122	844,686
2015	Billet, rebar, and wire materials	1,000,000	1,000,000	19,309,271	1,225,366	869,072
2016	Billet, rebar, and wire materials	1,000,000	1,000,000	19,695,456	1,310,575	892,185
2017	Billet, rebar, and wire materials	1,000,000	1,000,000	20,089,365	1,315,351	917,823
2018	Billet, rebar, and wire materials	1,000,000	1,000,000	20,595,700	1,398,448	976,236
2019	Billet, rebar, and wire materials	1,000,000	1,000,000	21,007,613	1,432,719	1,004,164
2020	Billet, rebar, and wire materials	1,000,000	1,000,000	21,007,613	1,432,719	1,004,164

## (5) Implementation status

Unit: NT\$1,000

Plan item	Status up to 3rd quarter of 2011			The reason for the schedule to be ahead or fell behind and the improvement plan
Construct the Taoyuan Guanyin plant	The amount spent	Estimated	8,282,809	The scheduled cumulative disbursement amount as of the 3rd quarter of 2011 was NT\$8,282,809,000, and the scheduled cumulative progress in implementation was 100.00%. The actual cumulative disbursement amount was NT\$7,901,184,000, and the cumulative progress in implementation was 95.39%. With regard to the relevant production plants, balance due for the equipment was completely paid off, the plan has been completed, and the amount difference was primarily due to the plan has originally intended to purchase the land from the National Property Bureau. However, the National Property Bureau decided to lease the land instead of selling it. A report was submitted to the Taiwan Stock Exchange notifying them that the original plan items have been completed in October 2011.
		Actual	7,901,184	
	Implementation progress (%)	Estimated	100.00%	
		Actual	95.39%	

(6) The evaluation of the differences between the anticipated benefits and the actual results. The table below shows the beneficial results of the Taoyuan plant.

Year	Item	Production volume (metric tons)	Sales volume (metric tons)	Sales value (in thousands)	Gross profit (in thousands)	Operating income (in thousands)
2014	Billet, rebar, and wire materials	1,000,000	1,000,000	18,930,658	1,221,122	844,686
Actual		935,560	916,205	16,813,247	1,439,819	1,330,841
Benefits achieved (%)		93.56%	91.62%	88.81%	117.91%	157.55%

Issued the 6th unsecured convertible bonds

(1) The total amount of funds required for this project: NT\$2.5 billion.

(2) Source of funds: A total of 25,000 domestic unsecured convertible bonds were issued during the 6th issuance with the face value of NT\$100,000. The total issued amount, based on 100% of the face value, is NT\$2.5 billion, with a period of 5 years and bond interest of 0%.

(3) Plan project, expected progress, and the expected possible benefits

Unit: NT\$1,000

Project item	Expected complete date	Total funding required	Reserve funds spending progress
			Fourth quarter of 2012
Repayment of bank loans	Fourth quarter of 2012	2,500,000	2,500,000
Total		2,500,000	2,500,000
Expected benefits	Repaying the bank loans can save NT\$2,726,000 in interest expenses for 2012, and can save NT\$32,722,000 in interest expenses each year thereafter.		

(4) This financing plan is expected to repay NT\$2,500,000,000 in bank loans by the 4th quarter of 2012. Based on the actual interests stipulated in the loan contract, this move can save NT\$2,726,000 on interest expenses in 2012 and can save approximately NT\$32,722,000 on interest expenses each year thereafter in addition to improving the financial structure. The plan's effectiveness in interest savings and financial burden reduction appears reasonable.

(5) Status of execution: This fund raising was completed at the end of the 4th quarter in 2012 and a report was submitted to the Taiwan Stock Exchange notifying them that the original plan items have been completed in January 2013.

## **V. Business Overview of the Company and Its Subsidiaries**

### **1. Business activities**

#### **(1) Scope of business**

##### **1. Main content:**

- (1) Manufacturing processing and sales of steel, flat iron, angle iron, channel iron, plate element, and other steel products.
- (2) Manufacturing processing and sales of steel and alloy steel, tool steel, high carbon steel, and other special steel.
- (3) Vessel disassembly and old vessel trading.
- (4) Processing and trading of iron and steel industrial raw materials, hardware, machinery, iron electrical materials, and light metal manufacturing.
- (5) Iron and steel smelting, rolling, heat treatment, painting, plating, and processing operations.
- (6) Oxygen manufacturing and trading.
- (7) Manufacturing, processing, and trading of steel plates, bars, and rails.
- (8) Design, manufacture, processing, and trading of various structural steel, steel materials, and mechanical bodies.
- (9) Development, design, manufacturing, and sales of the various steel industry equipment, device, and accessories.
- (10) Design, manufacture, maintenance, sales, and installation construction contract operations for environmental protection equipment products.
- (11) Import and export operations for various products.
- (12) Project management, technical advisory, and consultancy operations for the various relevant businesses mentioned above.
- (13) The data storage and processing equipment manufacturing industry.
- (14) Wired communication machinery and equipment manufacturing industry.
- (15) Wireless communication machinery and equipment manufacturing industry.
- (16) Electronic component manufacturing industry.
- (17) Specific professional zone development industry.
- (18) Leisure agriculture industry.
- (19) Amusement park industry.
- (20) New town or community development industry
- (21) Iron and Steel Rolling, Drawing, and Extruding
- (22) Steel structure engineering construction industry
- (23) Waste disposal and resource recycling industry
- (24) Construction engineering business
- (25) Rebar processing sales

#### **(2) Industry overview**

##### **1. Current status and development of the industry:**

Revenue for Tung Ho Steel was NT\$358.92 billion in 2014, which slightly declined by 2.20% compared to NT\$351.19 billion in 2013. Since 2013, sales have grown from 1,657,300 tons to 1,810,900 tons in 2014, equivalent to an increase of 9.27%. However, global steel product prices have been reduced considerably for 2 consecutive years, particularly under the influence of interest rate adjustments and currency depreciation in developing countries, sales have demonstrated significant decline. Furthermore, a series of economic control and anti-corruption measures adopted in China have severely influenced the economic growth of China, slowing the growth of demand for steel products and decreasing the prices of raw materials worldwide. In 2014, prices of iron minerals and coke have plummeted to the bottom as the global economic growth decelerated. However, Tung Ho's international prices for primary raw materials have remained strong until the fourth quarter when prices finally started to relax. The cost price structure of the steel industry was massively restructured, resulting in a sharp decrease in steel and iron prices. Although the sales price and volume of Tung Ho registered a bucked growth of two digits compared with those in 2013, the overall operational performance of Tung Ho declined due to the impact of international waste steel prices not reflecting the massive drop in international steel product prices, causing the post-tax EPS to drop substantially

from 2.12 in 2013 to 1.06 in 2014. However, comparing the business performance of Tung Ho in 2014 with that of the global electric furnace steel and iron industries which mostly registered a loss, a production and marketing policy that advocates efficient and extensive cost risk management has shown concrete performance.

In 2014, global crude steel output continued to grow, hitting another record high at 1.637 billion tons, which grew by 1.14% compared with that in 2013 but reflects a significant slowing of growth. In particular, the growth rate of China's crude steel was only 0.89%, reflecting almost no growth; however, China's export sales volume substantially increased to as high as 50.56% throughout the year. The consumption volume in China not only demonstrated zero continued growth on the surface, but also presented negative growth for the first time in recent years, further elevating export volumes and exacerbating the imbalance between global supply and demand for steel. Consequently, global steel product prices continued to decrease, and the overall cost price structure was severely influenced by the massive structural downward restructuring. In 2015, the first-quarter global steel product prices languished at rock bottom, incurring an enormous loss in inventory prices to the entire supply chain (up-, mid- and downstream) of the steel industry. For two consecutive years, international steel product prices have hit rock bottom. It is expected that the cost price structure of the global steel industry will bottom out this year in the second quarter. Although chances for demand and prices to spring back up are not expected, we can finally anticipate disengaging the interferences of continual price dip and losses due to decline in inventory prices, which will facilitate normalizing global steel trading. This year, China has revoked the preferential treatment for boron alloy steel export tax rebate. Although China's steel industry continued to leverage on the fact that it incorporates other alloy steels and applies for export alloy steel rebate to sell its products around the world, it can be seen that China cannot remain indifferent towards the tangible changes resulting from the surge of protests voiced across the world.

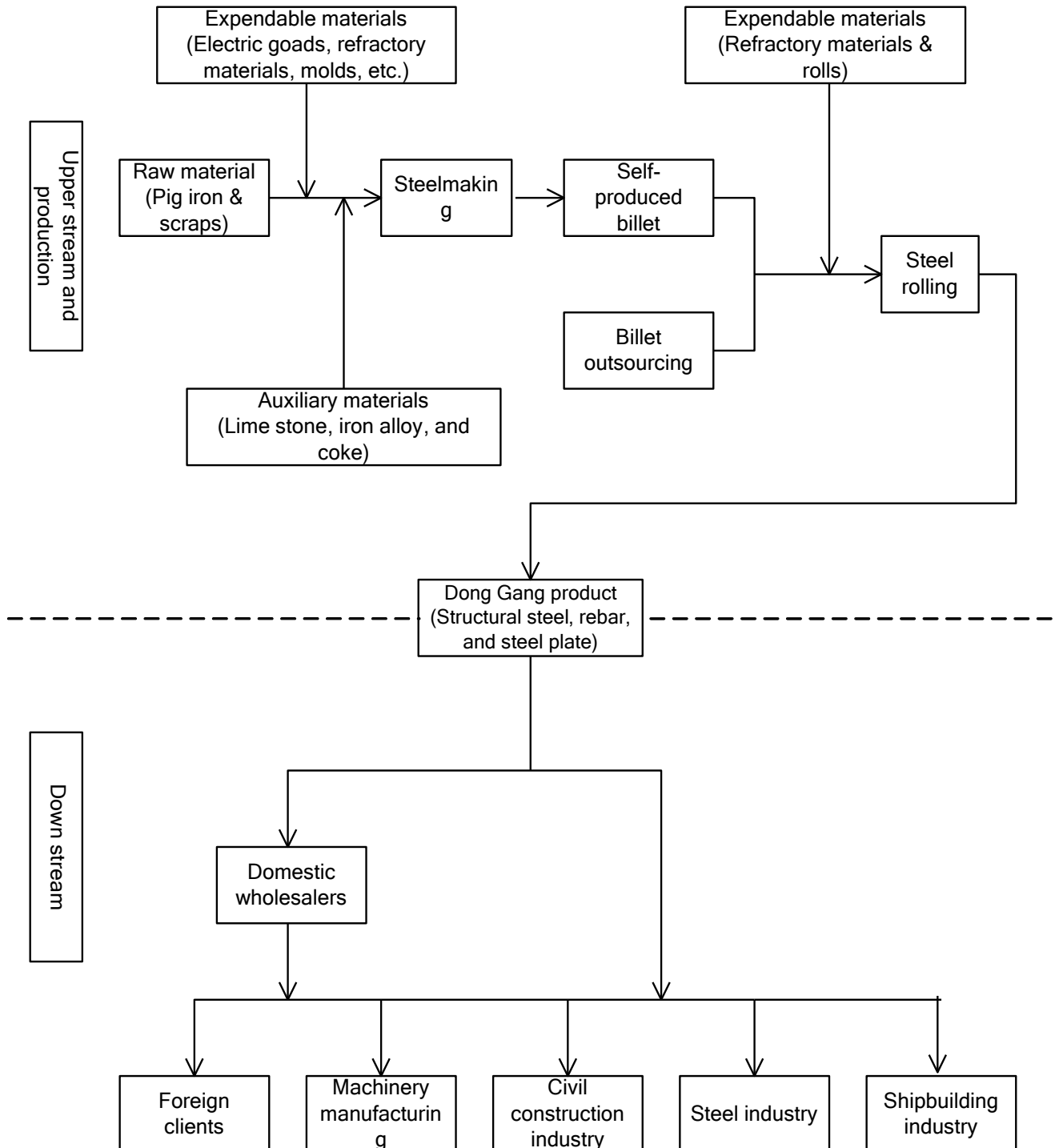
Taiwan's presidential election and legislator elections will take place beginning of next year. After the elections, Taiwan's steel industry must still face the material impacts that the ECFA framework have on China's opening of the steel market. Because the steel production industries in China and Taiwan differ substantially and because of the unfair competition conditions caused by the export tax subsidization rebate policy of the Chinese government, the implementation of the ECFA will allow Chinese access into Taiwan's steel market. This is the harsh challenge that Taiwan's steel industry must inevitably face in the next two years. It goes without saying that Taiwan's steel industry must face the competition and challenges imposed by the steel industries worldwide including China. Firms must strengthen their global competitiveness but the government must propose countermeasures for China's policy on tax subsidization rebate, such as the international standard verification and registration systems commonly adopted worldwide.

Dong Gang Steel Structure Co., Ltd. in which Tung Ho invests in, targets Taiwan as its primary market. Dong Gang could only manage to breakeven in its business performance in recent years predominantly because Taiwan's steel structure industry is subject to low domestic market demands and a harsh business environment where competitors have engaged in vicious price competition. Taiwan's steel structure industry primarily relies on the construction of bridges (public construction), buildings (office and residential buildings) and industrial plants. However, because of shortage in government funding, the budget for public constructions hit a record low. In addition, Taiwan's policies for energy sources and industries remain unclear, and the effects of opening the domestic market to China after signing the ECFA are uncertain. Investments in industrial plants have decreased considerably. All these factors have forced Taiwan's steel structure industry to rely solely on the construction of office and residential buildings. Nevertheless, the government's housing price reduction policies have gradually demonstrated its impact on Taiwan's steel structure industry. Fujian Dong Gang Steel Company Ltd. is a Chinese steel structure company in which Tung Ho invests. In the past, steel structure exports are the primary source contributing to Tung Ho's business performance. Under China's tax subsidization rebate policy, Fujian Dong Gang could still maintain its business operation. With its first-class steel structure quality, Fujian Dong Gang should be able to attract Taiwanese businessmen to invest in China's steel structure construction projects following the full implementation

of the ECFA. Currently, we have begun seeking opportunities for related businesses.

Tung Ho's investment in green energy and environmental protection businesses are currently at the seeding stage. These two industries are closely related to Tung Ho's primary business and are key to determining the future competitiveness of steel businesses. In future, green energy, waste reduction and carbon reduction will become the core competitiveness of steel industries, an aspect that Tung Ho aims to incorporate in its long-term investment planning. However, Taiwan's energy policies have become a political issue. Electricity pricing policies have become a tool for attracting votes during election campaigns. Currently, political chaos have shut out room for professional debates. If Taiwan's future economic development cannot be built on a long-term stable energy policy, this deficiency will become a major uncertainty factor in Taiwan's economic development.

## 2. The status of the upper, middle, and downstream relationships for the industry:



### **(3) Overview of Technology and R&D**

#### **1. 2014 R&D program**

##### **(1) Steel refining**

- (A) Development of high-strength steel.
- (B) Development of high-grade ship-use steel.
- (C) Development of ultra-high-strength steel.
- (D) Furnace slag recycling technology development.
- (E) Restored melted slag process development.
- (F) The development of new steel grades.
- (G) Testing of various supplies and refractory materials.

##### **(2) Steel rolling**

- (A) Development of high-strength rebar.
- (B) High-strength rebar coupler development project.
- (C) U-shaped steel sheet pile development project.
- (D) Billet induction heating processing development.
- (E) Hyper beam new size development for H800 x 350, etc.
- (F) Ultra-thick H-shaped steel development.
- (G) Development of ultra-high-strength steel.
- (H) New dimension development for steel tanks of various specifications under ASTM.
- (I) New dimension development for H-beams of various specifications (U.S. standard and E.U. Standard).
- (J) Development of steel materials with various shapes and sizes.

##### **(3) Others**

- (A) Research project on the Evaluation of the Feasibility of Applying Electric Arc Furnace Restored Slag in Cement
- (B) Research project on the Planning of an Integrative Greenhouse Gas Reduction Strategy

#### **2. 2015 R&D program**

##### **(1) Steel refining**

- (A) Development of high-strength steel.
- (B) Development of high-grade ship-use steel.
- (C) Development of ultra-high-strength steel.
- (D) Furnace slag recycling technology development.
- (E) Restored melted slag process development.
- (F) The development of new steel grades.
- (G) Testing of various supplies and refractory materials.
- (H) Scrap metal continuous feeding system development.
- (I) Crushed iron plant non-metal recycling technology development.
- (J) Testing of various supplies and refractory materials.

##### **(2) Steel rolling**

- (A) Development of high-strength rebar.
- (B) High-strength rebar coupler development project.
- (C) U-shaped steel sheet pile development project.
- (D) Billet induction heating processing development.
- (E) Hyper beam new size development for H800 x 350, etc.
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- (J) New dimension development for H-beams of various specifications (U.S. standard and E.U.



Standard).

(K) Development of steel materials with various shapes and sizes.

### (3) Others

(A) Research project on the Planning of an Integrative Greenhouse Gas Reduction Strategy

### Recent annual research expenditures

Unit: NT\$

Item \ Year	2013	2014	The 2015 year ends on April 30, 2015
Total research and development expenses for the Taoyuan plant	13,881,710	10,731,044	2,878,225
Total research and development expenses for the Miaoli plant	28,930,850	34,210,028	7,068,130
Total research and development expenses for the Kaohsiung plant	8,318,467	9,128,312	2,584,859
Research investment in equipment	0	0	0
Total cost of the research	51,131,027	54,069,384	12,531,214
Total research expenses / net sales	0.15%	0.15%	0.15%

### (4) Business plan - long-term and short-term

#### 1. Short-term development plan

##### (1) Marketing business strategies:

- (A) Carefully assess the negative impact that the increased constraints imposed on the global QE policy have on raising the interest rate in various major economies worldwide and increasing fund acquisition cost.
- (B) Formulate response strategies for the conflicts against Taiwan's fourth nuclear power plant and the impacts of potential increase in electricity prices, as well as strengthen control of the cost control variables due to flexible electricity bill adjustment mechanisms in the future.
- (C) As the negotiation for signing of the ECFA progresses, develop counterstrategies for price dumping resulting from the tax subsidization rebate policy implemented in China for steel products.
- (D) Strengthen the monitoring of raw material and steel product international price volatility trends to diversify the sources of raw material procurement.
- (E) Mitigate the predicament arising from product gross margin being affected by overcapacity and low-price competition of steel products.
- (F) Flexibly respond to the supply/demand relationships and competition reorganization changes caused by overcapacity in China and globally.
- (G) Urge the government to pass the CNS international standard verification and registration system for various types of steel products as soon as possible.
- (H) Implement the industry and marketing project involving order-based productions and deepen cost-control project productions.
- (I) Strengthen and integrate domestic and foreign sales channels.

#### 2. Long-term development plan

##### (1) Marketing business strategies:

- (A) Develop new markets for high value added products.
- (B) Respond to the market supply/demand and competition relationship changes, and reintegrate Tung Ho Steel's market position and product orientation.

- (C) Prudently develop measures and the possibility to eliminate market trade barriers in developing countries, and strengthen the practical overseas investment feasibility evaluations.

## **2. Market, production and sales**

### **(1) Market analysis**

#### **1. Supply and Demand for the future market**

Tung Ho Steel's production volume in 2014 slightly decreased by 9.28% compared to that of 2013, and the annual sales volume and value also slightly decreased by 9.27% and 2.20%, respectively; However, the post-tax EPS decreased to 1.06. Under the harsh environment of global economic downturn and plummeted international steel prices, Tung Ho's production output and sales volume and value both demonstrated a bucked growth in 2014, keeping the overall operational performance at a certain level.

Looking ahead to 2015, the global QE policy will be constrained further, leading to its eventual termination. The uncertainty of whether fund acquisition cost will increase because of increasing interest remains a problem; however, increased attention must be paid to the effects of slow global economic growth on the steel industry. For two consecutive years, international steel product prices have hit rock bottom, it is expected that the cost price structure of the global steel industry will bottom out this year in the second quarter. Although chances for demand and prices to spring back up are not expected, we can finally anticipate disengaging the interferences of continual price dip and losses due to decline in inventory prices, which will facilitate normalizing global steel trading. The overcapacity of the global steel industry had caused vicious steel price competitions in international trade and the steel price to plummet. This remains the biggest problem that the global steel industry faces this year.

Taiwan's energy and electricity price policies have become a political issue. The conflicts against the fourth nuclear power plant and the energy policy involving high-cost alternative energy will potentially cause a substantial increase in the overall operating cost as well as the number of cost-control variables. In addition, the uncertainties that the full implementation of ECFA will have on Taiwan's economy will cause the fixed capital investment strategies to become uncertain. Not only has private investment declined sharply this year, government public project spending budgets have also hit a record low. In terms of structural steel for construction purposes, real estate is the only thriving field. However, under the pressure of the government's housing price reduction policies, it remains uncertain whether this market can continue to thrive.

#### **2. Favorable and unfavorable factors for the development:**

##### **(1) Favorable factors**

- (A) Since the Tung Ho Steel Taoyuan Plant was officially put into production on October 31, 2010, its energy conservation and carbon reduction based environmental friendly production process can reduce production costs by approximately 30% to 40% compared to that of the traditional steel plants. The plan to invest in a second production line in the second quarter of 2016 will aid Tung Ho steel to further implement an environmental protection process for energy conservation and carbon reduction.
- (B) Taipei MRT extension, Suhua improvement operation, Taichung MRT, and the Kaohsiung Underground Railway projects have gradually made headway.
- (C) The Neihu MRT's steel medium-capacity rails and guide rails developed and produced by Tung Ho Steel enables Tung Ho Steel to become the only steel manufacturer in the entire Asia to carry out medium-capacity steel rail projects, which is conducive to the company's expansion in the United States, China, and Southeast Asia export markets.
- (D) Global warming and greenhouse gas emission issues have received great attention. "Carbon customs tax," "carbon and energy taxes," and "carbon trading" will be common problems that the global industry must face collectively. Tung Ho's steel furnace production process has a

competitive advantage compared to that of the blast furnace process, and its investment in energy conservation and carbon reduction equipment is also ahead of its peers.

(2) Unfavorable factors:

- (A) There is a serious excess in steel production capacity worldwide, especially in the vicinity of China, South Korea, and Japan.
- (B) The presence of high-cost alternative energy and dormancy of the 4th nuclear reactor will further exacerbate the pressure of operating cost control.
- (C) The cross-strait ECFA agreement is bound to impact Taiwan's domestic industries. This is especially true for the steel industry because of the Chinese government's tax subsidy policies and because China's low price steel dumping will generate an unfair competition environment.
- (D) The integration of property and land tax will soon be legislated and the impact of it on subsequent housing prices will influence the confidence of construction developers in investment projects.

3. Sales region for the main products.

The location information for merged companies is presented below. Income is categorized based on the geographical location of the customers, and non-current assets are categorized based on the geographical location of assets.

<b>Region</b>	<b>2014</b>	<b>2013</b>
Income from external customers:		
Taiwan	\$ 32,369,015	32,481,020
China	1,028,088	387,244
Other countries	<u>2,495,082</u>	<u>2,250,949</u>
	<b><u>\$ 35,892,185</u></b>	<b><u>35,119,213</u></b>
<b>Region</b>	<b>2014.12.31</b>	<b>2013.12.31</b>
Noncurrent assets:		
Taiwan	\$ 18,928,000	18,938,554
China	187,825	237,229
Other	<u>87,944</u>	<u>87,302</u>
Total	<b><u>\$ 19,203,769</u></b>	<b><u>19,263,085</u></b>

Non-current assets comprise property, plant and equipment, real estate investment and other types of non-current assets but exclude financial instruments, long-term investment using equity method, deferred income tax assets, post-employment benefit assets and non-current assets gained through insurance contracts.

(2) Major product manufacturing processes

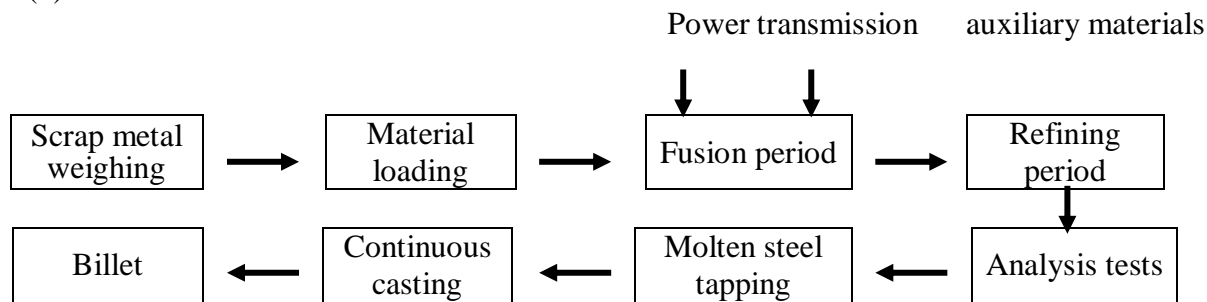
1. Product use

- (1) Rebar: Civil engineering and construction steel material.
- (2) Billet: Production of steel, steel bars, wire rods, H-beams, channel steel, steel semi-finished products.
- (3) H-Beam: Structural steel base material for steel construction and civil engineering.
- (4) Universal steel plate: Structural steel materials for assembly type steel such as welded H-beams, box columns, and truss columns.

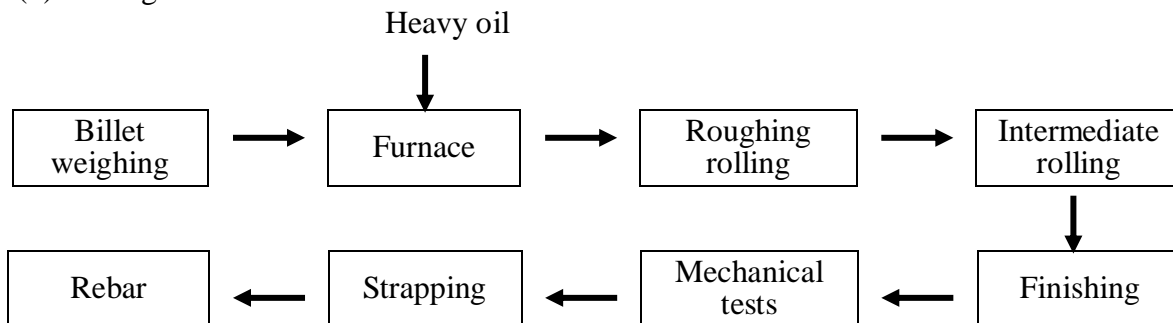
- (5) Large steel channel: Structural steel materials for steel construction, mechanical and electrical equipment, etc.
- (6) Steel structure: Plant, high-rise buildings, span building, civil construction, construction steel materials and consolidated construction.
- (7) Environmental protection business-restored steel: Sold to steel refining plants for use as raw materials for steel refining.
- (8) Environmental protection business-crude zinc oxide: Sold to Zn metal refining plants for use as raw materials.
- (9) Environmental protection business--Slag products: Used as subbase material and aggregates.

## 2. Production process

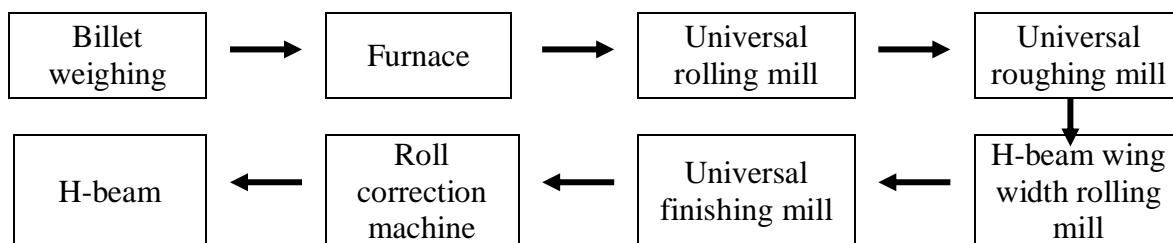
### (1) Billet refinement



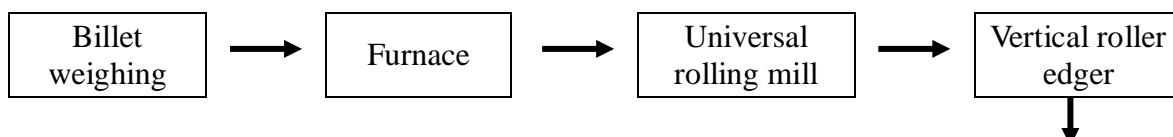
### (2) Rolling steel

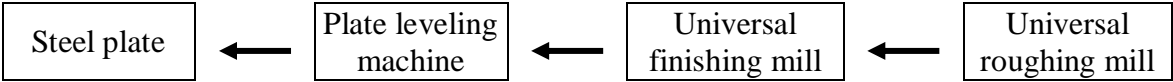


### (3) Rolled H-beam

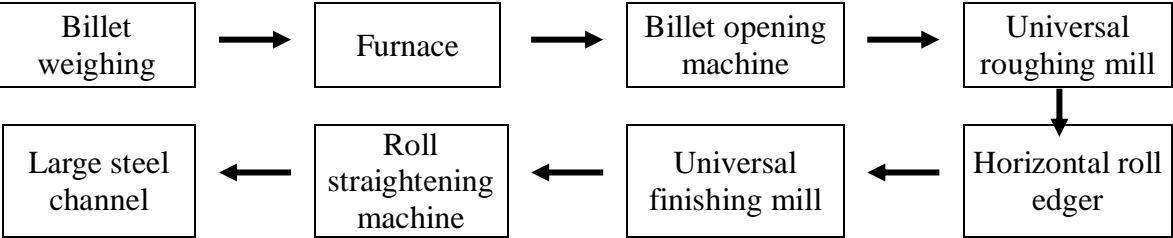


### (4) Universal plate rolling

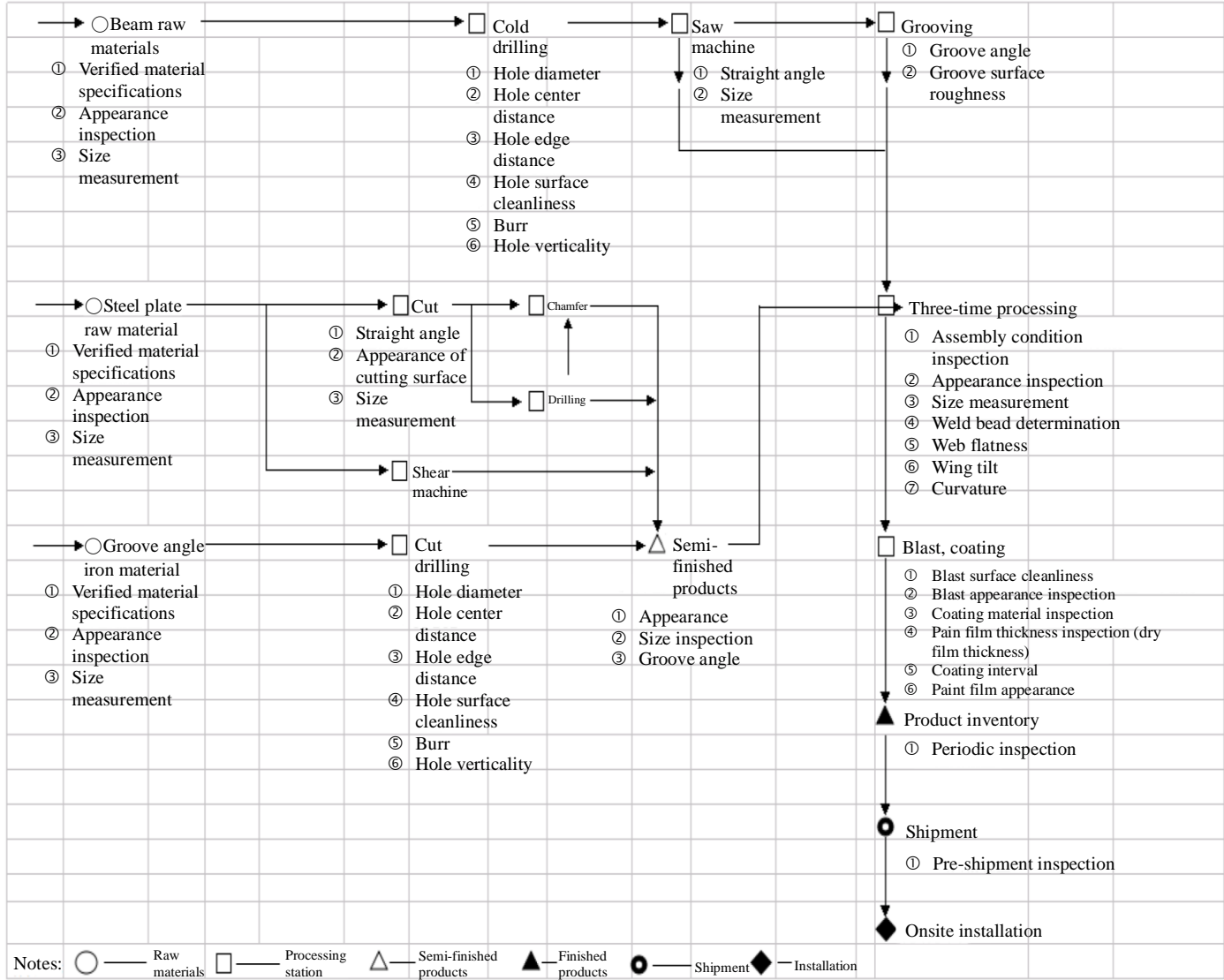




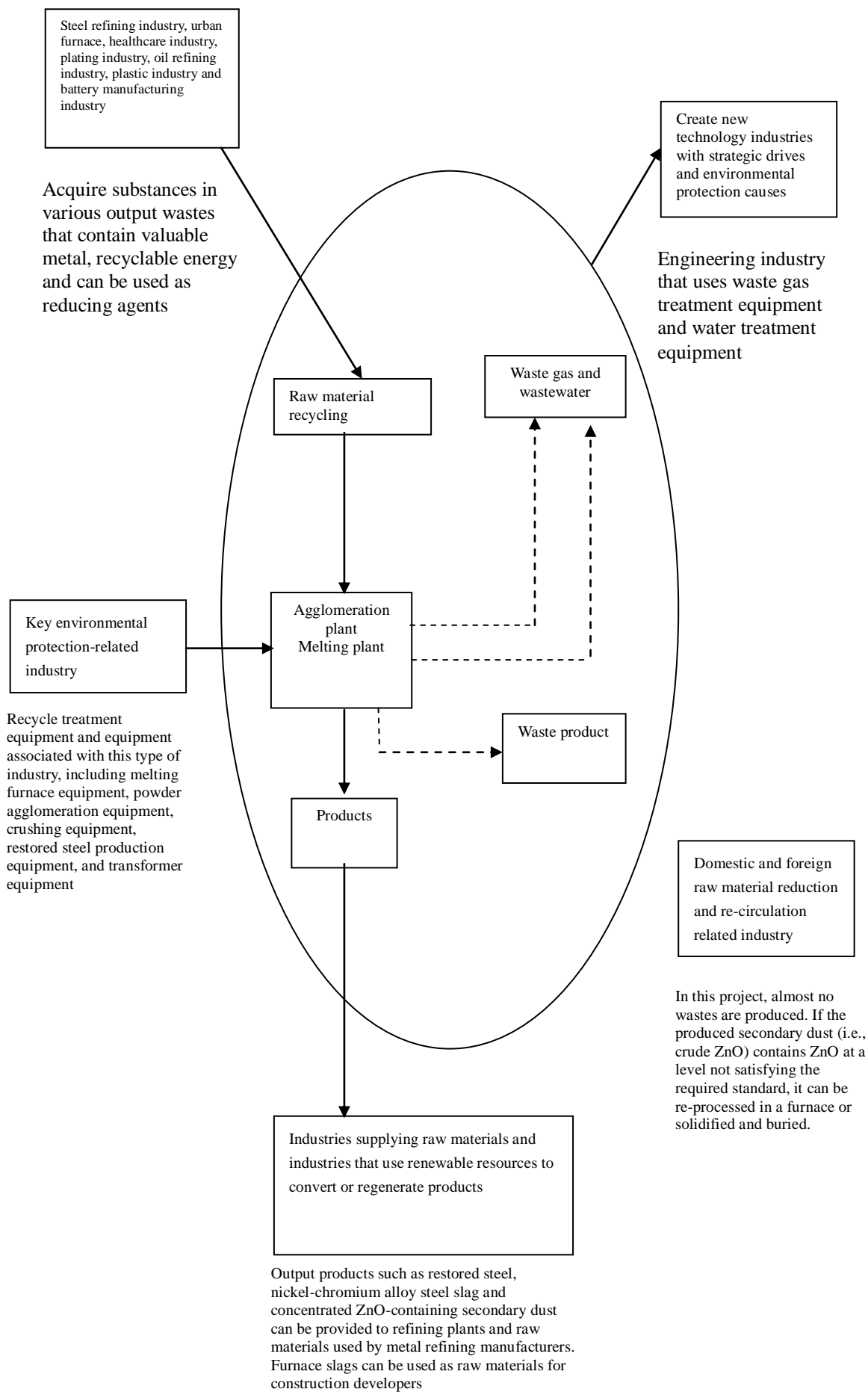
(5) Large channel for rolling



(6) Steel structure manufacturing



(7) Environmental protection process



(3) State of supply of chief raw materials

Product name	Quarter	First quarter	Second quarter	Third quarter	Fourth quarter	Total
	Quantity					
<b>Scraps</b>	<b>Domestic</b>	200,952	211,890	260,282	203,904	877,028
	<b>Foreign</b>	122,342	180,544	197,361	258,092	758,339
<b>Pig iron</b>	<b>Domestic</b>	0	0	0	0	0
	<b>Foreign</b>	30,802	18,975	23,873	32,955	106,605
<b>Ferrosilicon</b>	<b>Domestic</b>	0	0	0	0	0
	<b>Foreign</b>	1,000	800	600	800	3,200
<b>Ferromanganese</b>	<b>Domestic</b>	0	0	0	0	0
	<b>Foreign</b>	1,400	500	0	500	2,400
<b>Ferromanganese silicon</b>	<b>Domestic</b>	0	0	0	0	0
	<b>Foreign</b>	6,500	5,500	8,000	7,208	27,208
<b>Billet</b>	<b>Domestic</b>	0	0	0	0	0
	<b>Foreign</b>	0	0	0	0	0
<b>Steel plate</b>	<b>Domestic</b>	17,566	19,793	25,218	17,264	79,841
	<b>Foreign</b>	2,226	2,120	4,343	6,608	15,297
<b>Profiled material</b>	<b>Domestic</b>	888	1,545	1,790	2,319	6,542
	<b>Foreign</b>	0	0	0	0	0
<b>Paint</b>	<b>Domestic</b>	51,909	54,337	38,706	46,537	191,489
	<b>Foreign</b>	0	0	0	0	0
<b>Welding materials</b>	<b>Domestic</b>	41,040	67,020	62,095	50,765	220,920
	<b>Foreign</b>	0	0	0	0	0
<b>dust collection</b>	<b>Domestic</b>	3,731	3,851	3,402	4,696	15,680
	<b>Foreign</b>	0	0	0	0	0
<b>Medical wastes</b>	<b>Domestic</b>	346	321	235	258	1,160
	<b>Foreign</b>	0	0	0	0	0

The

primary importing regions for steel scraps and pig irons: United States, Japan, Russia, etc.

The primary importing regions for ferrosilicon, ferromanganese, silicon manganese: China, India, Ukraine, etc.

**(4) Customer list for those whose import (sales) volume are more than 10% of the total in any given year for**

the last 2 years.

1. Customer list for those whose sales volume are more than 10% of the total in any given year for the last 2 years. None

2. The top 10 customer list with the highest total sales for the last 2 years.

Item Year	Customer name	Amount (NT\$1000)	Ratio (%)	Item Year	Customer name	Amount (NT\$1000)	Ratio (%)	Reason for addition or reduction changes
2013	Li Da Steel	2,628,952	7.49	2014	Li Da Steel	2,444,523	6.81	Changes in market supply/demand
	Feng Hui Steel	2,217,281	6.31		Feng Hui Steel	1,889,423	5.26	
	Gir Gai Trading Co., Ltd.	1,845,039	5.25		Gir Gai Trading Co., Ltd.	1,696,052	4.73	
	Cheng Gang Industry	1,492,797	4.25		Cheng Gang Industry	1,254,450	3.50	
	New Asia	1,266,478	3.61		SANWA	956,255	2.66	
	Teh Tai Steel Co.	833,551	2.37		Gong Xing Engineering	954,738	2.66	
	Superiority Steel Co., Ltd.	818,973	2.33		Teh Tai Steel Co.	809,602	2.26	
	SANWA	764,130	2.18		Superiority Steel Co., Ltd.	740,538	2.06	
	Gong Xing Engineering	759,150	2.16		Kai Hong Steel	697,864	1.94	
	Kai Hong Steel	744,483	2.12		THYSSEN	607,987	1.69	



### 3.Primary supplier information for recent two years

Period	2013				2014				The end of first quarter for 2015			
Item	Name	Amount (NT\$1000)	Total annual net purchase ratio (%)	Relationship with the issuer	Name	Amount (NT\$1000)	Total annual net purchase ratio (%)	Relationship with the issuer	Name	Amount (NT\$1000)	Net purchase ratio from the end of the year to the previous quarter (%)	Relationship with the issuer
1	Pacific Metal Trading	2,523,700	12.57	None	Hua Ting	4,807,825	23.57	None	Hua Ting	1,313,754	29.75	None
2	Others	17,556,280	87.43	None	Others	15,593,095	76.43	None	Others	3,102,547	70.25	None
Total	Net Amount for Purchases	20,079,981	100	Not applicable	Net Amount for Purchases	20,400,920	100	Not applicable	Net Amount for Purchases	4,416,301	100	Not applicable

### 4. The top 10 customer list with the highest total import volume for the last 2 years.

Item Year	Customer name	Amount (NT\$1000)	Ratio (%)	Item Year	Customer name	Amount (NT\$1000)	Ratio (%)	Reason for addition or reduction changes
2013	Pacific Metal Trading	2,523,700	13.44%	2014	Hua Ting	4,807,825	23.57%	Purchase quantity increase/decrease and exchange rate changes
	Hua Ting Industry	2,450,798	13.06%		Hong Mao	1,487,953	7.29%	
	ADVANCED	900,293	4.80%		ADVANCED	1,091,604	5.35%	
	Hong Mao	799,714	4.26%		Pacific Metal Trading	1,037,276	5.08%	
	Qian Jin Resources	359,488	1.91%		Xing Gang	346,017	1.70%	

	Xing Di Industry	340,307	1.81%		Bang Tai Trade	324,947	1.59%	
	Da Fu Industry	297,706	1.59%		Hong Ruen Co., Ltd.	321,184	1.57%	
	Hong Ruen Co., Ltd.	291,585	1.55%		Nippon Steel Corporation	309,778	1.52%	
	Ren Yi Enterprise	269,228	1.43%		Hong Tai Qing Chu	295,013	1.45%	
	Hong Wei Enterprise	242,837	1.29%		HAMMOND	267,885	1.31%	

## (5) Output volume and value during the most recent two years

Unit: Metric ton, thousand dollars

Year	2013			2014		
<div> <div>Production volume value</div> <div>Product name</div> </div>	Production capacity	Production volume	Production value	Production capacity	Production volume	Production value
Billet	2,500,000	1,598,128	26,217,549	2,500,000	1,726,515	27,546,147
Rebar	1,200,000	849,954	14,687,649	1,200,000	915,746	15,414,065
H-beam	1,000,000	542,811	10,881,720	1,000,000	608,803	11,855,163
Steel plate		76,237	1,542,835		74,887	1,456,582
Channel		34,822	772,627		38,990	815,676
I-Beam		4,145	85,463		4,243	84,422
Steel structure	102,000	94,700	4,042,039	123,600	100,959	4,338,751
Environmental protection business	0	26,394	268,080	0	26,414	323,953
Others (Note)	0	2,597	13,971	0	32,864	65,667
Total	4,802,000	3,229,788	58,511,933	4,823,600	3,529,421	61,900,426

Note: Others include fixed-size and formed rebar processing, rebars sold, coupler materials sold and new plant construction

## (6) Sales volume and value during the most two recent years

Unit: Metric ton, thousand dollars

Year	2013				2014			
Sales volume and value Product name	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Billet	7,066	109,369	19,881	322,110	6,982	108,517	0	0
Rebar	826,134	16,237,828	3,951	75,812	926,354	17,165,216	2,986	58,479
H-beam	505,995	11,897,822	57,367	1,256,301	493,462	10,946,720	109,035	2,314,709
Steel plate (self-made)	61,089	1,364,285	0	0	63,124	1,358,517	35	781
Steel plate (transaction)	18,789	461,645	0	0	6,649	144,660	0	0
Channel	17,726	399,208	18,688	409,237	13,450	292,608	23,632	520,452
I-Beam	1,823	48,577	2,289	115,043	2,824	72,676	1,295	25,959
Steel structure	86,319	3,939,837	828	41,398	99,663	4,210,516	1,296	60,967
Steel material (transaction)	1,720	38,826	0	0	1,748	37,736	0	0
Environmental protection business	21,665	198,394	3,397	45,750	22,744	245,487	2,745	47,728
Others	2,597	14,475	0	0	32,864	68,147	0	0
Total	1,550,923	34,710,266	106,401	2,265,651	1,669,864	34,650,800	141,024	3,029,075

Note: Others include fixed-size and formed rebar processing, rebars sold, coupler materials sold and new plant construction

### 3. Employees

## Employee information for the last two years until the public date of this report

March 31, 2015

Year		2013	2014	2014 up to March 31, 2015 (Note)
Number of employees	Head office	125	128	129
	Kaohsiung plant	304	257	257
	Taoyuan plant	460	444	446
	Miaoli plant	533	527	526
	Subsidiaries	357	363	390
	Total	1,779	1,719	1,748
Average age		38.96	38.12	37.80
Average years of service		5.40	5.71	5.63
Degree distribution ratios	Doctorate	0.00	0.00	0.06
	Master's	3.77	4.13	4.06
	College	43.24	44.68	45.30
	High school	44.23	43.37	42.93
	Below high school	8.76	7.82	7.65

(Note) the number of people (in both this company and its subsidiaries) above does not include 233 supplemental foreign

laborers.

#### 4. Spending on environmental protections

Environmental protection expenditure for this company from the most recent fiscal year to the publication date of this annual report:

Plant	Kaohsiung plant	Miaoli plant	Taoyuan plant	Katec Creative
Pollution status	None	On January 16, 2014, the Department of Environmental Protection's discharge sampling analysis results indicated that the nickel content was 1.67mg/L, exceeding the permissible standard of 1.0g/L. The report has been lodged.	None	(1) On November 21, 2013, during inspections by the Department of Environmental Protection, the ZnO conversion tank waste outlet temperature reading was 1372 degree C, which failed to conform to the operating condition (721-1100 degree C) regulated by the fixed pollutant operation license. On January 3, 2014, a fine was received for violating the provisions prescribed in Paragraph 2, Article 24 of the Air Pollution Control Act. (2) During the inspection by the Department of Environmental Protection on July 17, 2014, dusts from vehicles at the exit area led to road surface pollution. On September 1, 2014, a fine was received for violating Provision 2, Paragraph 1, Article 27 of the Waste Disposal Act. (3) During Department of Environmental Protection inspection on September 29, 2014, improper storage of internal medical wastes and unclear labeling of a portion of collected dusts were found. A fine was received on October 27, 2014 for violating Articles 7 and 8 of the Methods and Facilities Standards for the Storage, Clearance

				and Disposal of Industrial Waste as well as Paragraph 1 in Article 36 of the Waste Disposal Act.
Disposition unit	None	Environmental Protection Bureau of Miaoli County	None	Department of Environmental Protection, Taoyuan
Disposition fine amount	None	NT\$160,000	None	(1) NT\$100,000 (2) NT\$1,200 (3) NT\$60,000
Response strategies and Improvement measures	None	(1) Increase the daily drug examination frequency: From once to twice daily to ensure normal drug addition. (2) Commission the performance of sampling test to ensure water discharge conforms to standards: Prior to April 28, 2014 commissioned discharge outlet sampling test is conducted twice to ensure water discharge conforms to standards. (3) A report was submitted to the Department of Environmental Protection on April 30, 2014, reporting the completion of improvement.	None	(1) Reduce the use of carbon black to avoid excessive reduction reaction. (2) Imposed stringent regulation stipulating that transport vehicles must be washed before leaving the plant. (2) Separated the location of medical waste storage area, and implemented the labeling of origin and date on space bags before transferring collected dust into the plant.
Promotion plan that collaborates with environmental policies	Estimated investment of NT\$200,000: Paving the road by billet storage area to inhibit road dust caused by vehicles entering and exiting the area.	(1) 2014 investment funds for environmental issues: \$ 68,487,472 1. Invested NT\$2,270,000 to improve roof wave board of furnace slag treatment site. 2. Invested NT\$55,647,825 to install crushed iron non-metal recycling equipment. 3. Invested NT\$6,136,428 to renew steel refining site dust collection system filter bags. 4. Invested NT\$4,433,219 to renew steel refining site	Actively promote the following operation in 2014: 1. Pollution prevention and continuous improvement: Strengthen dust control measures for the plant to prevent dust from spilling and add soundproofing mechanisms to prevent noise leakage. 2. Pollution prevention: Periodically replace dust collection filter bags Strengthen the cleaning of dust accumulated in dust collection pipes to enhance the effects of dust collection. . 3. Legal compliance: Comply with government's	None

		<p>dust collection wind pipe.</p> <p>(2) 2015 pre-investment funds for environmental issues: \$ 49,820,000</p> <p>1. Invested approximately NT\$2.42 million to improve suspended solids in discharged water.</p> <p>2. Invested approximately NT\$35 million to improve rolling steel site heat furnace fuel (use of natural gas instead of heavy oil).</p> <p>3. Invested approximately NT\$1.7 million to modify the steel refining site dust collection storage tank.</p> <p>4. Invested NT\$2.5 million to renew steel refining site dust collection system filter bags.</p> <p>5. Invested NT\$8.2 million to renew steel refining site dust collection system filter bags.</p>	<p>environmental laws to strengthen general and hazardous industrial waste storage facilities and commission qualified vendor to execute cleanup removal.</p> <p>4. Recycling: Recycle available resource and protect the environment.</p>	
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## **5. Employees-employer relations**

### **(1) Existing critical labor agreement and implementation status:**

#### **1. Employee welfare**

This company has always emphasized on employee welfare and humane management and has actively promoted the following measures:

##### **(1) Employee Welfare Committee:**

The company has established a joint employee welfare committee and held various employee welfare activities through employee welfare committees in various areas, such as employee trips, group insurance, subsidy for education of outstanding employees' children, wedding, funerals and other celebratory event subsidies, retirement subsidies and social group events.

##### **(2) Strengthen staff education and training:**

The company regards employees as its major asset and therefore has always been dedicated to providing talent cultivation and training programs. Training is based on the principles of career development. Based on business requirements and career planning each year, training programs, internal or external courses are developed and provided to enhance employees' knowledge and skills, cultivate positive work attitudes in employees, promote employee career development, recruit various management and professional talents and encourage employees to improve themselves, thereby enhancing the human resource quality in the organization and developing highly competitive human resources.

##### **(3) Care for employees after retirement:**

The company has established retirement policy for employees and was approved to set up a "retirement reserve fund supervisory committee," which calculates old labor pension fund for each year and regularly convenes meetings to protect employee rights and interests. Retirement reserve fund for 2014 was NT\$38.3 million, accumulated to NT\$621.23 million by the end of 2014.

##### **(4) Employee health management:**

In pursuant to the regulations of the Occupational Safety and Health Act, the company provides physical examinations and labor safety and health training to new employees. Each year, health examinations superior to those required by law are provided to existing employees and assistance on self-health care management is afforded to employees. Doctors and nurses are employed at each plant and provide health assessment, management, follow-up and consultation services to care for the physical and mental health of employees.

#### **2. Retirement system**

##### **(1) Handled pursuant to Articles 46 to 51.1 of the company's work rules.**

###### **(A) Voluntary retirement:**

If any of the following conditions apply to a company employee, said employee shall retire voluntarily:

(a) Has worked for more than 15 years and is over 55 years of age.

(b) Has worked over 25 years.

(c) Has worked for more than 10 years and is over 60 years of age.

(B) Mandatory retirement:

If any of the following conditions apply to a company employee, the said employee is mandated for retirement:

(a) People who are 65 years of age or over.

(b) People who are physically disable or incapable of work.

(C) Pension payment standards

The company's employee pension payment standard is based on Articles 55 and 84.2 of the Labor Standards Act as well as the Rules and Regulations for the Retired Factory Workers of Taiwan Province.

(D) Pension provision date

Pension funds payable to employees are paid one-off to employees within 30 days after employees are subject to approved or mandatory retirement and have completed resignation and handover procedures.

(2) Handling in accordance with regulations of the Labor Pension Act:

For those who have elected to comply with the "Labor Pension Act" since the effective date of the Act, work seniority and pension matters shall be handled henceforth in accordance with the Act.

3. Status of Industrial Relations Agreement

The company values employee opinions. To reinforce employee-employer bidirectional communication, the company periodically holds employer-employee meetings, coordinate employer-employee relations, promote employer-employee cooperation and strongly support union operations. Communication effectiveness was satisfactory.

**(2) Disclose the losses suffered due to industrial relation disputes in recent years up to the publication date of this annual report as well as estimations for similar losses in the future and coping measures:**

There is no such industrial relation dispute related losses in recent years up to the publication date of this annual report. The company's management system will continue to improve staff welfare and pursue industrial relation unity, and no losses are expected to occur due to labor disputes.

## 6. Important contracts

Factory types	Nature of the contracts	Parties	Contract start and termination dates	Main content	Restriction clause
Taoyuan plant	Equipment procurement	Chiafu Qichong Construction Co., Ltd.	2014.01.15-2014.07.10	Spiral arm crane equipment procurement	Acceptance inspection fund: 100%
	Equipment procurement	Shang Yu Industrial Co., Ltd.	2014.02.11-2014.07.11	Steel rolling mill machine procurement	Equipment fund: 90% Acceptance inspection fund: 10%

	Equipment procurement	SMS Concast	2014.02.21-2014.08.31	EAF Upgrade	Deposit: 20% Equipment fund: 70% Acceptance inspection fund: 10%
	Equipment procurement	Nuvoton Technology Co.	2014.02.21-2014.04.20	steel rebar inverter procurement	Acceptance inspection fund: 100%
	Equipment procurement	IKEGAI	2014.03.12-2014.12.31	Rebar automated processing machine procurement contract	Deposit: 30% Equipment fund: 60% Acceptance inspection fund: 10%
	Construction contract	Qi Xiang Co., Ltd.	2014.03.07-2014.06.15	Caster sixth sprue power distribution project	Acceptance inspection fund: 100%
	Construction contract	China Engineering Associates Inc.	2014.03.07-2014.06.15	Caster sixth sprue pipe distribution project	Acceptance inspection fund: 100%
	Construction contract	Qian Yang Construction Corporation	2014.04.01-2014.05.15	South-side plant soundproof wall civil engineering contract	Acceptance inspection fund: 100%
	Construction contract	He Guan Machine Engineering Corporation	103.04.20~ 103.06.01	South-side plant soundproof wall steel structural engineering contract	Acceptance inspection fund: 100%
	Equipment procurement	Shang Yu Industrial Co., Ltd.	2014.06.28-2014.10.28	CV1 High/low-speed gear box procurement	Equipment fund: 90% Acceptance inspection fund: 10%
	Equipment procurement	The Giant Taiwan Limited	2014.05.29-2014.06.08	Oil pressure excavator procurement contract	Equipment fund: 90% Acceptance inspection fund: 10%
	Equipment procurement	Hwe Wang Enterprises Inc.	2014.06.13-2014.08.31	Excavator oil pressure grapple procurement contract	Acceptance inspection fund: 100%
	Equipment procurement	Metrotek International Co., Ltd.	2013.11.01-2014.03.31	Mill machine 4V speed reducer procurement contract	Equipment fund: 90% Acceptance inspection fund: 10%
	Equipment procurement	Shang Yu Industrial Co., Ltd.	2014.8.20-2015.02.20	Rough and mid-mill machine procurement (1) contract	Equipment fund: 90% Acceptance inspection fund: 10%
	Equipment procurement	Metrotek International Co., Ltd.	2014.8.20-2015.03.20	Rough and mid-mill machine procurement (2) contract	Equipment fund: 90% Acceptance inspection fund: 10%
	Equipment procurement	Metrotek International Co., Ltd.	2014.12.25-2015.06.30	Mill machine 5H and 7H speed reducer procurement contract	Equipment fund: 90% Acceptance inspection fund: 10%
	Equipment procurement	SMS Meer	2014.03.27-2016.04.30	Equipment for Second Rolling Mill(RM2)	Deposit: 10% Equipment fund: 80% Acceptance inspection fund: 10%
	Equipment procurement	Nidec ASI	2014.03.27-2016.04.30	Electric Machinery Equipment for Second Rolling Mill(RM2)	Deposit: 20% Equipment fund: 70% Acceptance inspection fund: 10%
	Equipment procurement	SMS Elotherm	2014.03.27-2016.04.30	Induction Furnace for Second Rolling Mill(RM2)	Deposit: 10% Equipment fund: 80% Acceptance inspection fund: 10%

	Equipment procurement	Shanghai Magang Mechanoelectric als	2014.05.26-2016.04.30	Taoyuan Plant steel rolling Line 2 subcontracted equipment procurement contract	Deposit: 10% Equipment fund: 80% Acceptance inspection fund: 10%
	Equipment procurement	Qin Yi Enterprise Ltd.	2014.04.25-2016.10.31	Taoyuan plant liquefied petroleum gas storage equipment procurement	Equipment fund: 80% Acceptance inspection fund: 20%
	Equipment procurement	SMS Concast	2014.12.15-2016.04.30	CCM Discharge Upgrade	Deposit: 20% Equipment fund: 70% Acceptance inspection fund: 10%
	Equipment procurement	Chien Yue Co., Ltd.	2014.10.31-2015.04.15	1250HP centrifugal vacuum pressure machine procurement	Equipment fund: 100%
Miaoli plant	Equipment procurement	Shanghai Magang Mechanoelectric als Technology Co., Ltd.	2014.01.08-2014.08.30	Crushing site non-metal and stainless steel screening system equipment procurement	Deposit: 10% Design fund: 30% Equipment fund: 40% Installation fund: 10% Acceptance inspection fund: 10%
	Equipment procurement	China Engineering Associates Inc.	2014.04.21-2014.07.30	Production and installation of crushed steel screening equipment infrastructure	Deposit: 20% Equipment fund: 70% Acceptance inspection fund: 10%
	Equipment procurement	STEINERT ELEKTROMAG NETBAU GmbH.	2014.02.11-2014.12.31	Crushing site non-metal selection equipment	Equipment fund: 80% Acceptance inspection fund: 20%
Dong Gang Construction	Construction Engineering	CKS Stationery Corporation	2014.08.22-2016.06.30	CKS New Taipei City Bali District Peitou Sec. Land No. 296 construction project	Construction fund: 95% Reserve fund: 5%
	Construction Engineering	Cheng Kang Engineering	2014.09.25-2016.06.30	CKS Construction: Formwork engineering	Construction fund: 90% Reserve fund: 10%
	Construction Engineering	Goldsun Co., Ltd Bali Plant	2014.08.15-2015.06.30	CKS Construction: Ready mixed concrete sale and purchase contract	Loan: 100%
	Construction Engineering	Tung Ho Steel Enterprise Corporation	2014.12.29-2015.12.31	CKS Construction: 307 tons of deformed bars	Loan: 100%
	Construction Engineering	Yu Wang Co., Ltd.	2014.09.04-2016.06.30	CKS Construction: Underground excavation and water pump construction	Construction fund: 90% Reserve fund: 10%
	Construction Engineering	Quan Sheng Engineering	2014.09.04-2016.06.30	CKS Construction: Steel banding construction	Construction fund: 90% Reserve fund: 10%
	Construction Engineering	Yungtay Engineering Co., Ltd	2014.12.09-2016.06.30	CKS Construction: Elevator contract	Deposit fund: 25% 120 days after contract signing: 50% Delivery fund: 25%
	Construction Engineering	Cai Cheng Machine Engineering Corporation	2014.09.05-2016.06.30	CKS Construction: Retaining support construction	Construction fund: 90% Reserve fund: 10%
	Rebar processing	Tung Ho Steel Enterprise Corporation	2014.04.10-2017.04.9	Contracted rebar fixed size cutting and forming contract	Processing fund: 100%

	Equipment procurement	Darhung Machinery Co., Ltd.	2014.04.10-2014.08.31	Rebar saw cutting and fixed sizing transport equipment	Equipment fund: 80% Acceptance inspection fund: 20%
	Equipment procurement	Yuan Fuu Industry Co., Ltd.	2014.02.05-2014.07.31	Forming curvature machine	Equipment fund: 80% Acceptance inspection fund: 20%
	Equipment procurement	Daito Seiki Co.,Ltd. (Sinpro Co., Ltd.)	2014.01.13-2014.05.31	GA IV260 NC band saw machine	Loan: 100%
Katec Creative	Sales and purchases	Katex R&D Corporation	2014.01.09	Land No. 75-2 property ownership transfer	Contract fund: 10% Property transfer 70% Check and handover: 20%
	Equipment improvement	Chin Hung Foundry Machinery Factory	2014.05.22-2014.07.10	Furnace oven heating equipment	Deposit fund: 30% Final payment: 70%
	Equipment improvement	Yi Kai Machine Corporation	2014.06.26-2014.08.31	Cooling tower renewal construction	Deposit fund: 30% Product delivery fund: 50% Acceptance inspection fund: 20%
	Equipment improvement	Yi Kai Machine Corporation	2014.08.25-2014.11.03	Cooling tower oxidized dual-axis spiral gas transmission equipment modification construction	Deposit fund: 30% Product delivery fund: 30% Installation fund: 20% Acceptance inspection fund: 20%
	Equipment improvement	Vender Machinery Enterprise	2014.11.12-2015.01.12	Emergency chimney repair platform project	Deposit fund: 30% Product delivery fund: 30% Installation fund: 20% Acceptance inspection fund: 20%

## VI. Financial Status Overview of the Company and Its Subsidiaries

### 1. Condensed balance sheet and condensed consolidated income statement for the last 5 years

#### (1) Condensed balance sheet - consolidated

Unit: NT\$1,000

Year Item		Financial information for the last 5 years (Note 4)					2014 up to March 31, 2015 Financial information (Note 2)
		Year	Year	2014	2013	2012	
Liquid assets				16,166,959	17,555,853	17,441,686	15,575,486
Property, plant, and equipment (Note 1)				15,916,706	16,257,059	17,030,375	15,889,636
Intangible assets				0	0	0	0
Other asset (Note 1)				6,265,406	6,111,721	6,014,946	6,261,426
Total assets				38,349,071	39,924,633	40,487,007	37,726,548
Liquid liabilities	Before distribution			10,956,845	9,844,751	11,121,177	10,375,714
	After distribution			(Note 3)	11,441,874	12,418,768	(Note 3)
Non-current liabilities				4,272,230	6,825,536	7,353,907	3,705,885
Total indebtedness	Before distribution			15,229,075	16,670,287	18,475,084	14,081,599
	After distribution			(Note 3)	18,267,410	19,772,675	(Note 3)
Equity attributed to the owners of the parent company				23,011,025	23,138,429	21,884,466	23,540,049
Capital stock				9,982,215	9,982,021	9,917,712	9,982,215
Capital reserve				6,225,993	6,225,686	6,102,248	6,225,993
Retained earnings	Before distribution			6,642,349	7,215,861	6,377,562	7,092,143
	After distribution			(Note 3)	5,618,738	5,079,971	(Note 3)
Other equity				160,468	(285,139)	(513,056)	239,698
Treasury stock				0	0	0	0
Non-controlling equity				108,971	115,917	127,457	104,900
Equity Total amount	Before distribution			23,119,996	23,254,346	22,011,923	23,644,949
	After distribution			(Note 3)	21,657,223	20,714,332	(Note 3)

Note 1: Real estate, plant, and equipment decisions are made based on the book value of the real estate investment. Cases with conversion date on or after January 1, 2012 shall adopt the deemed cost exemption provisions provided by IFRS1; and cases on or prior to December 31, 2011 shall adopt the "For-profit Enterprise Asset Reevaluation Measures" to calculate the value of the asset revaluation to serve as the deemed cost of the asset.

Note 2: Accountant review of the combined financial information for the first quarter of 2015.

Note 3: The shareholders' meeting for 2015 has not been held and the surplus appropriation case has not been decided.

Note 4: The Company has adopted the IFRSs in preparing financial statements starting 2013; therefore, only financial statements for 2012, 2013 and 2014 are disclosed.

## 2. Condense balance sheet - individual

Unit: NT\$1,000

Year Item		Financial information for the last 5 years (Note 4)				2014 up to March 31, 2015 Financial information (Note 2)	
		Year	Year	2014	2013	2012	
Liquid assets				13,742,697	14,976,311	14,872,656	12,424,185
Property, plant, and equipment (Note 1)				13,433,265	13,933,045	14,892,042	13,656,961
Intangible assets				0	0	0	0
Other asset (Note 1)				8,002,077	7,821,637	7,758,640	7,616,559
Total assets				35,178,039	36,730,993	37,523,338	33,697,705
Liquid liabilities	Before distribution			8,230,300	7,266,627	8,868,424	6,769,253
	After distribution			(Note 3)	8,863,750	10,166,015	(Note 3)
Non-current liabilities				3,936,714	6,325,937	6,770,448	3,388,403
Total indebtedness	Before distribution			12,167,014	13,592,564	15,638,872	10,157,656
	After distribution			(Note 3)	15,189,687	16,936,463	(Note 3)
Equity attributed to the owners of the parent company				0	0	0	0
Capital stock				9,982,215	9,982,021	9,917,712	9,982,214
Capital reserve				6,225,993	6,225,686	6,102,248	6,225,993
Retained earnings	Before distribution			6,642,349	7,215,861	6,377,562	7,092,144
	After distribution			(Note 3)	5,618,738	5,079,971	(Note 3)
Other equity				160,468	(285,139)	(513,056)	239,697
Treasury stock				0	0	0	0
Non-controlling equity				0	0	0	0
Equity Total amount	Before distribution			23,011,025	23,138,429	21,884,466	23,540,048
	After distribution			(Note 3)	21,541,306	20,586,875	(Note 3)

Note 1: Real estate, plant, and equipment decisions are made based on the book value of the real estate investment. Cases with conversion date on or after January 1, 2012 shall adopt the deemed cost exemption provisions provided by IFRS1; and cases on or prior to December 31, 2011 shall adopt the "For-profit Enterprise Asset Reevaluation Measures" to calculate the value of the asset revaluation to serve as the deemed cost of the asset.

Note 2: Accountant review has yet to be performed on individual financial information for first quarter of 2015.

Note 3: The shareholders' meeting for 2015 has not been held and the surplus appropriation case has not been decided.

Note 4: The Company has adopted the IFRSs in preparing financial statements starting 2013; therefore, only financial statements for 2012, 2013 and 2014 are disclosed.

**(2) 1. Condensed income statement - consolidated**

Unit: NT\$1,000

<div>Year</div> <div>Item</div>	Financial information for the last 5 years (Note 2)					2014 up to March 31, 2015 Financial information (Note 1)
	Year	Year	2014	2013	2012	
Operating income			35,892,185	35,119,213	39,899,070	8,434,705
Operating gross profit			2,887,797	3,703,070	3,825,287	754,869
Operating income			1,359,561	2,186,843	2,285,971	395,575
Non-operating income and expenses			(71,259)	236,060	(219,606)	57,639
Net profit before tax			1,288,302	2,422,903	2,066,365	453,214
Net income from continuing operations			1,054,482	2,100,150	1,735,702	398,445
Loss from discontinued operations			0	0	0	0
Current period net profit (loss)			1,054,482	2,100,150	1,735,702	398,445
Other comprehensive income (net income after-tax)			409,696	252,117	(10,402)	78,885
Total comprehensive income for the period			1,464,178	2,352,267	1,725,300	477,330
Net profit attributed to the owners of the parent company			1,061,592	2,117,078	1,770,133	402,171
Net profit attributable to non-controlling interests			(7,110)	(16,928)	(34,431)	(3,726)
Total comprehensive income attributed to the owners of the parent company			1,469,373	2,368,404	1,760,927	481,401
Total comprehensive income attributed to non-controlling interests			(5,195)	(16,137)	(35,627)	(4,071)
Earnings per share			1.06	2.12	1.80	0.40

Note 1: Accountant review of the combined financial information for the first quarter of 2015.

Note 2: The Company has adopted the IFRSs in preparing financial statements starting 2013; therefore, only financial statements for 2012, 2013 and 2014 are disclosed.



## 2. Condensed income statement - individual

Unit: NT\$1,000

<div>Year</div> <div>Item</div>	Financial information for the last 5 years (Note 2)					2014 up to March 31, 2015 Financial information (Note 1)
	Year	Year	2014	2013	2012	
Operating income			33,009,294	32,697,239	36,645,673	7,756,324
Operating gross profit			2,773,866	3,485,754	3,541,883	784,462
Operating income			1,470,488	2,209,158	2,227,153	475,855
Non-operating income and expenses			(150,895)	221,115	(150,527)	(10,956)
Net profit before tax			1,319,593	2,430,273	2,076,626	464,899
Net income from continuing operations			0	0	0	0
Loss from discontinued operations			0	0	0	0
Current period net profit (loss)			1,061,592	2,117,078	1,770,133	402,171
Other comprehensive income (net income after-tax)			407,781	251,326	(9,206)	79,230
Total comprehensive income for the period			1,469,373	2,368,404	1,760,927	481,401
Net profit attributed to the owners of the parent company			0	0	0	0
Net profit attributable to non-controlling interests			0	0	0	0
Total comprehensive income attributed to the owners of the parent company			0	0	0	0
Total comprehensive income attributed to non-controlling interests			0	0	0	0
Earnings per share			1.06	2.12	1.80	0.40

Note 1: Accountant review has yet to be performed on individual financial information for first quarter of 2015.

Note 2: The Company has adopted the IFRSs in preparing financial statements starting 2013; therefore, only financial statements for 2012, 2013 and 2014 are disclosed.

**(3) 1. Condensed balance sheet-Financial Accounting Standards in Taiwan - consolidated**

Unit: NT\$1,000

Year  Item		Financial information for the last 5 years (Note)				
		2013	2012	2011	2010	2009
Liquid assets		Not  applicable	17,457,988	17,917,976	16,966,774	16,362,119
Funds and Investments			4,362,410	4,895,727	4,857,913	4,874,867
Fixed assets			17,771,855	18,482,468	18,606,781	15,044,154
Intangible assets			9,122	9,278	8,289	9,082
Other assets			1,252,386	1,243,136	881,795	2,721,829
Total assets			40,853,761	42,548,585	41,321,552	39,012,051
Liquid liabilities	Before distribution		11,119,765	14,101,300	13,110,440	13,032,871
	After distribution		12,417,356	15,670,820	14,281,995	14,032,871
Long-term debt			6,531,833	5,904,922	7,266,609	5,794,008
Other debt			491,338	370,082	343,239	328,614
Total indebtedness	Before distribution		18,142,936	20,376,304	20,720,288	19,155,493
	After distribution		19,440,527	21,945,824	21,891,843	20,155,493
Capital stock			9,917,712	9,809,291	9,761,784	9,501,896
Capital reserve			6,316,368	6,009,027	5,909,915	5,359,163
Retained earnings	Before distribution		6,343,931	6,168,444	4,660,835	4,400,711
	After distribution		5,046,340	4,598,924	3,489,280	3,400,711
Unrealized gains and losses on financial instruments			(91,497)	(200,532)	(45,759)	175,392
Cumulative translation adjustment			190,618	176,742	70,269	169,018
List unrecognized pension cost as net loss			(250,085)	(134,480)	(88,659)	(54,024)
Total shareholders' equity	Before distribution		22,710,825	22,172,281	20,601,264	19,856,558
	After distribution		21,413,234	20,602,761	19,429,709	18,856,558

Note: Financial information audited and certified by accountants for the last 5 years

## Unit: NT\$1,000

Unit: NT\$1,000

Year  Item		Financial information for the last 5 years (Note)				
		2013	2012	2011	2010	2009
Liquid assets		Not applicable	14,889,074	14,855,493	14,305,050	13,700,487
Funds and Investments			6,970,757	7,507,095	7,116,699	6,813,967
Fixed assets			14,924,306	15,915,749	16,522,394	13,697,514
Intangible assets			0	0	0	0
Other assets			1,122,015	1,058,332	723,348	2,524,300
Total assets			37,906,152	39,336,669	38,667,491	36,736,268
Liquid liabilities	Before distribution		8,883,011	11,783,870	11,350,486	11,295,145
	After distribution		10,180,602	13,353,390	12,522,041	12,295,145
Long-term debt			5,949,022	5,197,910	6,549,066	5,404,038
Other debt			490,757	370,082	343,239	328,614
Total indebtedness	Before distribution		15,322,790	17,351,862	18,242,791	17,027,797
	After distribution		16,620,381	18,921,382	19,414,346	18,027,797
Capital stock			9,917,712	9,809,291	9,761,784	9,501,896
Capital reserve			6,316,368	6,009,027	5,909,915	5,359,163
Retained earnings	Before distribution		6,343,931	6,168,444	4,660,835	4,400,711
	After distribution		5,046,340	4,598,924	3,489,280	3,400,711
Unrealized gains and losses on financial instruments			-91,497	-200,532	-45,759	175,392
Cumulative translation adjustment			190,618	176,742	70,269	169,018
List unrecognized pension cost as net loss			-250,085	-134,480	-88,659	-54,024
Total shareholders' equity	Before distribution		22,583,362	21,984,807	20,424,700	19,708,471
	After distribution	21,285,771	20,415,287	19,253,145	18,708,471	

Note: Financial information audited and certified by accountants for the last 5 years **(4) 1. Condensed Statement of Income - Financial Accounting Standards of Taiwan - consolidated**

Unit: NT\$1,000

Year Item	Financial information for the last 5 years (Note 1)				
	2013	2012	2011	2010	2009
Operating income	Not applicable	39,682,875	44,124,483	34,635,196	23,949,009
Operating gross profit		3,950,122	4,711,220	2,983,358	2,341,307 (Note 2 )
Operating income		2,274,923	2,935,604	1,405,601	881,014 (Note 2 )
Non-operating income and gains		342,083	412,684 (Note 4 )	298,934	453,769 (Note 2 )
Non-operating gains and losses		(572,634)	(323,825) (Note 4 )	(229,493)	(149,776)
Gains or losses from continuing operations before income taxes		2,044,372	3,024,463	1,475,042	1,185,007
Gains or losses from continuing operations		0	0	0	0
Gains or losses from discontinued operations		0	0	0	0
Extraordinary gains or losses		0	0	0	0
Cumulative effect of changes in accounting principle		0	0	0	0
Current gains or Losses		1,713,469	2,663,713	1,251,087	880,279
Earnings per share		1.78	2.74	1.30 (Note 3 )	0.96 (Note 2 )

Note 1: Financial information audited and certified by accountants for the last 5 years

Note 2: The amounts in the 2009 annual financial statements have been reclassified based on the expression method as provided by the 2010 annual financial statements, and the reclassification has no major impact on the financial statement expressions.

Note 3: The amounts in the 2010 annual financial statements have been reclassified based on the expression method as provided by the 2011 annual financial statements, and the reclassification has no major impact on the financial statement expressions.

Note 4: The amounts in the 2011 annual financial statements have been reclassified based on the expression method as provided by the 2012 annual financial statements, and the reclassification has no major impact on the financial statement expressions.

## 2. Condensed Statement of Income - Financial Accounting Standards of Taiwan - Individual

Unit: NT\$1,000

Year Item	Financial information for the last 5 years (Note 1)				
	2013	2012	2011	2010	2009
Operating income	Not  applicable	36,786,540	37,916,578	32,577,296	22,301,553
Operating gross profit		3,666,719	3,999,457	2,322,858	1,906,735
Operating income		2,215,771	2,476,968	937,973	788,538
Non-operating income and gains		313,620	735,086 (Note 4 )	613,112	522,330
Non-operating gains and losses		474,822	282,226 (Note 4 )	170,125	135,014
Gains or losses from continuing operations before income taxes		2,054,569	2,929,828	1,380,960	1,175,854
Gains or losses from continuing operations		0	0	0	0
Gains or losses from discontinued operations		0	0	0	0
Extraordinary gains or losses		0	0	0	0
Cumulative effect of changes in accounting principle		0	0	0	0
Current gains or Losses		1,747,893	2,679,164	1,260,170	879,039
Earnings per share		1.62	2.49	1.29 (Note 3 )	0.95 (Note 2 )

Note 1: Financial information audited and certified by accountants for the last 5 years

Note 2: The amounts in the 2009 annual financial statements have been reclassified based on the expression method as provided by the 2010 annual financial statements, and the reclassification has no major impact on the financial statement expressions.

Note 3: The amounts in the 2010 annual financial statements have been reclassified based on the expression method as provided by the 2011 annual financial statements, and the reclassification has no major impact on the financial statement expressions.

Note 4: The amounts in the 2011 annual financial statements have been reclassified based on the expression method as provided by the 2012 annual financial statements, and the reclassification has no major impact on the financial statement expressions.

**(5) Names of the certification accountants and their audit opinions for the last 5 years**

Year	Names of the certification accountants	Audit opinions	Description
2014	Cihui Li, Huizhi Kou	Modified unqualified opinion	None
2013	Cihui Li, Huizhi Kou	Modified unqualified opinion	None
2012	Cihui Li, Huizhi Kou	Modified unqualified opinion	None
2011	Cihui Li, Qiuhua Wu	Modified unqualified opinion	None
2010	Cihui Li, Qiuhua Wu	Modified unqualified opinion	None

## 2. Financial analysis for the last 5 years

### (1)1. Financial analysis–consolidated

Year (Note 2) Analysis items (Note3)		Financial analysis for the last 5 years (Note 1)					From this year to March 31, 2015 (Note 2-1)
		Year	Year	2014	2013	2012	
Financial structure (%)	Debt to asset ratio			39.71	41.75	45.63	37.33
	Long-term capital property, plant, and equipment ratio			172.10	185.03	172.43	172.13
Debt paying ability (%)	Flow ratio			147.55	178.33	156.83	150.11
	Quick ratio			67.22	74.33	53.34	69.67
	Interest protection multiples			9.61	16.57	11.09	15.39
Management capacity	Receivables turnover ratio (number)			8.90	9.00	10.41	8.38
	Average collection days			41.01	40.56	35.06	43.55
	Inventory turnover ratio (number)			3.56	2.96	3.26	3.71
	Payable turnover ratio (number)			17.38	17.51	16.79	17.82
	Average inventory turnover days			102.52	123.31	111.96	98.38
	Property, plant, and equipment turnover ratio (times)			2.23	2.11	2.29	2.12
	Total asset turnover ratio (number)			0.94	0.88	0.99	0.89
Profitability	Return on assets (%)			2.98	5.52	4.58	4.43
	Return on equity (%)			4.55	9.28	7.99	6.81
	Paid-in capital to income before tax (%) (Note7)			12.91	24.27	20.84	18.16
	Net profit margin (%)			2.94	5.98	4.35	4.72
	Earnings per share (NT\$)			1.06	2.12	1.80	0.40
Cash flow	Cash flow ratio (%)			38.29	44.17	27.04	35.31
	Cash flow adequacy ratio (%)			85.36	50.30	51.20	144.46
	Cash reinvestment ratio (%)			5.88	6.67	3.42	8.24
Leverage	Overrating leverage			3.43	2.58	2.61	3.10
	Financial leverage			1.11	1.07	1.09	1.07

Please explain the reasons for the various financial ratio changes in the last 2 years. (Analysis to be omitted if the change is less than 20%)

1. The interest coverage ratio decreased to 9.61 primarily because the net income before tax was decreased by NT\$1,134,601,000 (46.83%) compared to that of the previous year.
2. Inventory turnover ratio increased to 3.56, primarily because the cost of goods sold increased by NT\$1,588,245,000 (5.06%) compared with that of last year. Furthermore, the final period inventory reduced by NT\$1,409,453,000 (14.14%) compared with that of last year.
3. Return on assets decreased to 2.98%, primarily because after-tax profit decreased by NT\$1,045,668,000 (49.79%) compared with that of the previous year. Furthermore, the final period total asset reduced by NT\$1,575,562,000 (3.95%) compared with that of last year.
4. Return on equity decreased to 4.55%, primarily because after-tax profit decreased by NT\$1,045,668,000 (49.79%) compared with that of previous year.
5. Paid-in capital to income before tax decreased to 12.91%, primarily because net income before tax decreased by NT\$1,134,601,000 (46.83%) compared with that of last year.
6. Net income ratio decreased to 2.94%, and the earning per share decreased to NT\$1.06 primarily because the net income before tax was decreased by NT\$1,045,668,000 (49.79%) compared with that of the previous year.
7. The cash flow adequacy ratio increased to 85.36% primarily because the net cash flows from operating activities for the last 5 years was increased by NT\$3,746,353,000 (33.17%) compared with that of the previous year. Capital

Note 1: The Company has adopted the IFRSs in preparing financial statements starting 2013; therefore, only financial statements for 2012, 2013 and 2014 are disclosed.

Note 2: Financial reports for 2014 and 2013 have been audited by certified public accountant.

Note 2-1: Financial report for the first quarter of 2015 has been audited by certified public accountant.

Note 3: Financial ratio calculation formulae are as follows:

1. Financial structure

(1) Debt-to-asset ratio = total liabilities / total assets.

(2) Long-term capital ratio for real estate, plant, and equipment = (total equity + non-current liabilities) / net for real estate, plant, and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.

(3) Times interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability

(1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue / average balance of receivable of the period (including accounts receivable and business-related notes receivable).

(2) Average days of collection = 365 / receivables turnover ratio.

(3) Inventory turnover ratio = cost of goods sold / average amount of inventory.

(4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold / average balance of payable of the period (including accounts payable and business-related notes payable).

(5) Average days of sales = 365 / inventory turnover ratio.

(6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.

(7) Total assets turnover ratio = net sales / total average assets.

4. Profitability

(1) Return on assets = [net income + interest expense (1 – tax rate)] / average total assets.

(2) Return on equity = net income / average total equity.

(3) Net profit margin = net income / net sales.

(4) Earnings per share = (income attributable to owners of parent – dividend to preferred stock) / weighted average of shares issued. (Note 4)

5. Cash flows

(1) Cash flow ratio = new cash flows from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.

(3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Leverage

(1) Operating leverage = (net sales - variable operating costs and expenses) / income (Note 6).



(2) Financial leverage = operating income / (operating income – interest expense)

Note 4: Special attention shall be paid to the following items when formulae mentioned above are used to calculate the earnings per share:

1. The calculations shall be based on the average number of the weighted common shares rather than shares issued at the end of the year.
2. The circulation period shall be considered for cash capital increase or treasury stock traders when calculating the weighted average number of shares.
3. When calculating annual or semi-annual earnings per share for those with capitalization of retained earnings or capital reserves, capital ratio shall be adjusted retrospectively and the replenishment period issues need not be considered.
4. If the preferred shares are non-convertible cumulative preferred shares, their annual dividends (whether distributed or not) shall be deducted from net income, or the net loss shall be increased. If the preferred shares are not cumulative in nature, the preferred stock dividends shall be deducted from the net income under after-tax net profit conditions. If it is a loss, no adjustment is needed.

Note 5: Special attention shall be paid to the following items during cash flow analysis measurements:

1. Net cash flow from operating activities shall refer to the net cash inflow from operating activities listed in the cash flow statement.
2. Capital expenditure shall refer to the annual capital investment cash outflow.
3. If the inventory increase during the closing is greater than that during the opening and the inventory decreased at the end of the year, it should be calculated as zero.
4. Cash dividends include common stock and preferred stock cash dividends.
5. Gross profit for real estate, plant, and equipment shall refer to the total amount for real estate, plant, and equipment before accumulated depreciation is deducted.

Note 6: The issuer shall divide the various operating costs and expenses as fixed or changeable based on their natures. If such costs are subject to estimates or subjective judgments, ensure that the methods of deriving those costs are rational and consistent.

Note 7: For company shares with no face value or with face value per share not equaling NT\$10, the aforementioned calculation for paid-in capital ratio should be changed to calculation for the equity ratio attributable to owners of parent in the balance sheet instead.

## 2. Financial analysis–individual

Year (Note 2) Analysis items (Note 3)		Financial analysis for the last 5 years (Note 1)					From this year to March 31, 2015 (Note2-1)
		Year	Year	2014	2013	2012	
Financial structure (%)	Debt to asset ratio			34.59	37.01	41.68	30.14
	Long-term capital property, plant and equipment ratio			200.60	211.47	192.42	197.18
Debt paying ability (%)	Flow ratio			166.98	206.10	167.70	183.54
	Quick ratio			63.93	70.29	40.67	68.28
	Interest protection multiples			13.32	21.24	13.23	22.79
Management capacity	Receivables turnover ratio			10.51	11.65	13.59	9.83
	Average collection days			34.72	31.33	26.85	37.13
	Inventory turnover ratio			3.38	2.82	3.03	3.50
	Payable turnover ratio			23.20	25.10	23.53	23.87
	Average inventory turnover			107.98	129.43	120.34	104.28
	Property, plant, and equipment turnover ratio			2.41	2.27	2.38	2.29
	Total asset turnover ratio (times)			0.94	0.89	0.98	0.92
Profitability	Return on assets (%)			3.19	5.97	5.00	4.86
	Return on equity (%)			4.60	9.40	8.20	6.91
	Percent age of paid-in capital (%)	Operating profit		14.73	22.13	22.46	19.07
		Net profit before tax		13.22	24.35	20.94	18.63
	Net profit margin (%)			3.22	6.47	4.83	5.19
	Earnings per share (NT\$)			1.06	2.12	1.80	0.40
Cash flow	Cash flow ratio (%)			46.28	61.38	32.09	63.67
	Cash flow adequacy ratio (%)			92.25	55.06	54.28	174.74
	Cash reinvestment ratio (%)			5.16	7.12	2.98	10.00
Leverage	Overrating leverage			2.94	2.27	1.22	2.51
	Financial leverage			1.08	1.06	1.08	1.04

Please explain the reasons for the various financial ratio changes in the last 2 years. (Analysis can be omitted for the change is less than 20%)

1. The interest coverage ratio decreased to 13.32 primarily because the net income before tax was decreased by NT\$1,110,680,000 (45.70%) compared to that of the previous year.
2. Return on assets decreased to 3.19%, primarily because after-tax profit decreased by NT\$1,055,486,000 (49.86%) compared with that of previous year. Furthermore, the final period total asset reduced by NT\$1,552,954,000 (4.23%) compared with that of last year.
3. Return on equity decreased to 4.60%, primarily because after-tax profit decreased by NT\$1,055,486,000 (49.86%) compared with that of previous year.
4. Paid-in capital to operating income decreased to 14.73%, primarily because operating income decreased by NT\$738,670,000 (33.44%) compared with that of last year.
5. Paid-in capital to income before tax decreased to 13.22%, primarily because net income before tax decreased by NT\$1,110,680,000 (45.70%) compared with that of last year.
6. Net income ratio decreased to 3.22%, and the earning per share decreased to NT\$1.06 primarily because the net income after tax decreased by NT\$1,055,486,000 (49.86%) compared with that of the previous year.
7. Cash flow ratio decreased to 46.28% and the cash reinvestment ratio decreased to 5.16% primarily because the net cash flow

Note 1: The Company has adopted the IFRSs in preparing financial statements starting 2013; therefore, only financial statements for 2012, 2013 and 2014 are disclosed.

Note 2: Financial reports for 2014 and 2013 have been audited by certified public accountant.

Note 2-1: Financial report data for the first quarter of 2015 have not been audited by certified public accountant.

Note 3: Financial ratio calculation formulae are as follows:

1. Financial structure

(1) Debt-to-asset ratio = total liabilities / total assets.

(2) Long-term capital ratio for real estate, plant, and equipment = (total equity + non-current liabilities) / net for real estate, plant, and equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.

(3) Times interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability

(1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue / average balance of receivable of the period (including accounts receivable and business-related notes receivable).

(2) Average days of collection = 365 / receivables turnover ratio.

(3) Inventory turnover ratio = cost of goods sold / average amount of inventory.

(4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold / average balance of payable of the period (including accounts payable and business-related notes payable).

(5) Average days of sales = 365 / inventory turnover ratio.

(6) Real estate, plant, and equipment turnover ratio = net sales / average net for real estate, plant, and equipment.

(7) Total assets turnover ratio = net sales / total average assets.

4. Profitability

(1) Return on assets = [net income + interest expense (1 – tax rate)] / average total assets.

(2) Return on equity = net income / average total equity.

(3) Net profit margin = net income / net sales.

(4) Earnings per share = (income attributable to owners of parent – dividend to preferred stock) / weighted average of shares issued. (Note 4)

5. Cash flows

(1) Cash flow ratio = new cash flows from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.

(3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross margin of property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

6. Leverage

(1) Operating leverage = (net sales - variable operating costs and expenses) / income (Note 6).

(2) Financial leverage = operating income / (operating income – interest expense)

Note 4: Special attention shall be paid to the following items when formulae mentioned above are used to calculate the earnings per share:

1. The calculations shall be based on the average number of the weighted common shares rather than shares issued at the end of the year.
2. The circulation period shall be considered for cash capital increase or treasury stock traders when calculating the weighted average number of shares.
3. When calculating annual or semi-annual earnings per share for those with capitalization of retained earnings or capital reserves, capital ratio shall be adjusted retrospectively and the replenishment period issues need not be considered.
4. If the preferred shares are non-convertible cumulative preferred shares, their annual dividends (whether distributed or not) shall be deducted from net income, or the net loss shall be increased. If the preferred shares are not cumulative in nature, the preferred stock dividends shall be deducted from the net income under after-tax net profit conditions. If it is a loss, no adjustment is needed.

Note 5: Special attention shall be paid to the following items during cash flow analysis measurements:

1. Net cash flow from operating activities shall refer to the net cash inflow from operating activities listed in the cash flow statement.
2. Capital expenditure shall refer to the annual capital investment cash outflow.
3. If the inventory increase during the closing is greater than that during the opening and the inventory decreased at the end of the year, it should be calculated as zero.
4. Cash dividends include common stock and preferred stock cash dividends.
5. Gross profit for real estate, plant, and equipment shall refer to the total amount for real estate, plant, and equipment before accumulated depreciation is deducted.

Note 6: The issuer shall divide the various operating costs and expenses as fixed or changeable based on their natures. If such costs are subject to estimates or subjective judgments, ensure that the methods of deriving those costs are rational and consistent.

**(2)1. Financial analysis–Financial Accounting Standards of  
Taiwan–consolidated**

Year (Note 1) Analysis item (Note2)		Financial analysis for the last five years				
		2012	2011	2010	2009	2008
Financial structure (%)	Debt to asset ratio	44.41	47.89	50.14	49.10	43.32
	Long-term capital to fixed assets ratio	163.60	151.01	148.87	169.39	197.10
Debt paying ability (%)	Flow ratio	157.00	127.07	129.41	125.55	136.39
	Quick ratio	52.89	47.34	53.49	56.52	70.12
	Interest protection multiples	10.98	16.17	7.88	6.84	8.43
Management capacity	Receivables turnover ratio	10.35	12.38	11.51	7.05	9.67
	Average collection days	35.27	29.48	31.70	51.76	37.73
	Inventory turnover ratio	3.23	3.84	3.49	2.81	6.43
	Payable turnover ratio	16.63	14.49	12.14	10.37	19.76
	Average inventory turnover	113.07	95.07	104.66	130.00	57.00
	Fixed asset turnover (times)	2.23	2.39	1.86	1.59	4.72
	Total asset turnover ratio	0.97	1.04	0.84	0.61	1.58
Profitability	Return on assets (%)	4.48	6.72	3.32	2.75	5.90
	Return on shareholder's	7.64	12.45	6.18	4.57	8.68
	Percent age of paid-in capital (%)	22.94	29.93	14.40	9.27	34.57
	Net profit before tax	20.61	30.83	15.11	12.47	27.61
	Net profit margin (%)	4.32	6.04	3.61	3.68	3.35
	Earnings per share (NT\$)	1.78	2.74	1.30	0.96	1.80
Cash flow	Cash flow ratio (%)	27.70	6.24	19.37	3.44	55.37
	Cash flow adequacy ratio (%)	54.47	41.99	45.78	69.43	98.36
	Cash reinvestment ratio (%)	3.40	-0.70	3.83	-2.21	8.43
Leverage	Overrating leverage	2.63	2.25	2.92	3.86	2.14
	Financial leverage	1.09	1.07	1.08	1.19	1.10

Please explain the reasons for the various financial ratio changes in the last 2 years..(Analysis can be omitted for the change is less than 20%)

Because IFRSs are adopted for the financial reports of the past two years, please refer to the consolidated financial analysis for various financial ratios.

Note1: Financial reports for 2008-2012 have been audited by certified public accountant.

Note2: Financial ratio calculation formulae are as follows:

1. Financial structure

(1) Debt-to-asset ratio = total liabilities / total assets.

(2) Long-term fund to fixed assets ratio = (net shareholders' equity + long-term debt) / net fixed assets.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets – inventory – prepaid expense) / current liabilities.

(3) Times interest earned = net income before income tax and interest expense / current interest expense.

3. Operating ability

(1) Receivable (including accounts receivable and business-related notes receivable) turnover ratio = net operating revenue / average balance of receivable of the period (including accounts receivable and business-related notes receivable).

(2) Average days of collection = 365 / receivables turnover ratio.

(3) Inventory turnover ratio = cost of goods sold / average amount of inventory.

(4) Payable (including accounts payable and business-related notes payable) turnover ratio = cost of goods sold / average balance of payable of the period (including accounts payable and business-related notes payable).

(5) Average days of sales = 365 / inventory turnover ratio.

(6) Fixed assets turnover ratio = net sales / net average fixed assets.

(7) Total assets turnover ratio = net sales / total average assets.

4. Profitability

(1) Return on assets = [net income + interest expense (1– tax rate)] / average total assets.

(2) Return on shareholder's equity = net income / net average shareholders' equity.

(3) Net profit margin = net income / net sales.

(4) Earnings per share = (net income - dividend to preferred stock) / weighted average of shares issued. (Note 3)

5. Cash flows

(1) Cash flow ratio = new cash flows from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.

(3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross fixed assets + long-term investment + other assets + working capital). (Note 4)

6. Leverage

(1) Operating leverage = (net sales - variable operating costs and expenses) / income (Note 5).

(2) Financial leverage = operating income / (operating income – interest expense)

Note3 Special attention shall be paid to the following items when formulae mentioned above are used to calculate the earnings per share:

1. The calculations shall be based on the average number of the weighted common shares rather than shares issued at the end of the year.
2. The circulation period shall be considered for cash capital increase or treasury stock traders when calculating the weighted average number of shares.
3. When calculating annual or semi-annual earnings per share for those with capitalization of retained earnings or capital reserves, capital ratio shall be adjusted retrospectively and the replenishment period issues need not be considered.
4. If the preferred shares are non-convertible cumulative preferred shares, their annual dividends (whether distributed or not) shall be deducted from net income, or the net loss shall be increased. If the preferred shares are not cumulative in nature, the preferred stock dividends shall be deducted from the net income under after-tax net profit conditions. If it is a loss, no adjustment is needed.

Note 4: Special attention shall be paid to the following items during cash flow analysis measurements:

1. Net cash flow from operating activities shall refer to the net cash inflow from operating activities listed in the cash flow statement.

2. Capital expenditure shall refer to the annual capital investment cash outflow.
3. If the inventory increase during the closing is greater than that during the opening and the inventory decreased at the end of the year, it should be calculated as zero.
4. Cash dividends include common stock and preferred stock cash dividends.
5. Gross fixed assets refer to the total fixed assets before deducting the accumulated depreciation.

Note 5: The issuer shall divide the various operating costs and expenses as fixed or changeable based on their natures. If such costs are subject to estimates or subjective judgments, ensure the methods of deriving those costs are rational and consistent.

## 2. Financial analysis—Financial Accounting Standards of Taiwan—individual

Year (Note 1) Analysis item (Note 2)		Financial analysis for the last five years				
		2012	2011	2010	2009	2008
Financial structure (%)	Debt to asset ratio	40.42	44.11	47.18	46.35	40.24
	Long-term capital to fixed assets ratio	191.18	170.79	163.26	183.34	208.87
Debt paying ability (%)	Flow ratio	167.61	126.07	126.03	121.30	135.34
	Quick ratio	40.60	33.00	40.24	43.92	59.38
	Interest protection multiples	13.10	17.92	8.39	7.50	8.85
Management capacity	Receivables turnover ratio	13.64	15.21	16.07	10.14	12.46
	Average collection days	26.75	23.99	23	36	29
	Inventory turnover ratio	3.03	3.35	3.36	2.68	6.32
	Payable turnover ratio	20.06	16.18	14.68	13.97	25.73
	Average inventory turnover	120.46	108.95	109	136	58
	Fixed asset turnover (times)	2.46	2.38	1.97	1.63	4.81
	Total asset turnover ratio	0.97	0.96	0.84	0.61	1.60
Profitability	Return on assets (%)	4.89	7.23	3.54	2.89	6.19
	Return on shareholder's	7.84	12.63	6.28	4.60	8.70
	Percent age of paid-in capital (%)	Operating profit	22.34	25.25	9.61	8.30
		Net profit before tax	20.72	29.87	14.15	12.37
	Net profit margin (%)		4.75	7.07	3.87	3.94
	Earnings per share (NT\$)		1.78	2.74	1.30	0.96
Cash flow	Cash flow ratio (%)	32.07	13.40	13.11	4.11	64.99
	Cash flow adequacy ratio (%)	54.29	41.77	45.54	68.90	97.67
	Cash reinvestment ratio (%)	2.97	1.01	1.25	-2.22	8.40

Leverage	Oerrating leverage	2.50	2.29	3.65	4.05	2.14
	Financial leverage	1.08	1.07	1.11	1.20	1.10

Please explain the reasons for the various financial ratio changes in the last 2 years. (Analysis can be omitted for the change is less than 20%)

Because IFRSs are adopted for the financial reports of the past two years, please refer to the consolidated financial analysis for various financial ratios.

Note1: Financial reports for 2008-2012 have been audited by certified public accountant.

Note2: Financial ratio calculation formulas are as follows:

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(1) Debt-to-asset ratio = total liabilities / total assets.

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2. Solvency

(1) Current ratio = current assets / current liabilities.



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### 3. Operating ability

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(1) Return on assets = [net income + interest expense (1 – tax rate)] / average total assets.

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(4) Earnings per share = (net income - dividend to preferred stock) / weighted average of shares issued (Note 3)

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(1) Cash flow ratio = new cash flows from operating activities / current liabilities.

(2) Cash flow adequacy ratio = net cash flows from operating activities in the past five years / (capital expenditure + increase in inventory + cash dividend) in the past five years.

(3) Cash reinvestment ratio = (net cash flows from operating activities – cash dividend) / (gross fixed assets + long-term investment + other assets + working capital). (Note 4)

### 6. Leverage

(1) Operating leverage = (net sales - variable operating costs and expenses) / income (Note 5).

(2) Financial leverage = operating income / (operating income – interest expense)

Note 3 Special attention shall be paid to the following items when formulae mentioned above are used to calculate the earnings per share:

1. The calculations shall be based on the average number of the weighted common shares rather than shares issued at the end of the year.
2. The circulation period shall be considered for cash capital increase or treasury stock traders when calculating the weighted average number of shares.
3. When calculating annual or semi-annual earnings per share for those with capitalization of retained earnings or capital reserves, capital ratio shall be adjusted retrospectively and the replenishment period issues need not be considered.
4. If the preferred shares are non-convertible cumulative preferred shares, their annual dividends (whether distributed or not) shall be deducted from net income, or the net loss shall be increased. If the preferred shares are not cumulative in nature, the preferred stock dividends shall be deducted from the net income under after-tax net profit conditions. If it is a loss, no adjustment is needed.

Note 4 Special attention shall be paid to the following items during cash flow analysis measurements:

1. Net cash flow from operating activities shall refer to the net cash inflow from operating activities listed in the cash flow statement.
2. Capital expenditure shall refer to the annual capital investment cash outflow.
3. If the inventory increase during the closing is greater than that during the opening and the inventory decreased at the end of the year, it should be calculated as zero.
4. Cash dividends include common stock and preferred stock cash dividends.
5. Gross fixed assets refer to the total fixed assets before deducting the accumulated depreciation.

Note 5: The issuer shall divide the various operating costs and expenses as fixed or changeable based on their natures. If such costs are subject to estimates or subjective judgments, ensure that the methods of deriving those costs are rational and consistent.

## Supervisor review report

To: 2014 General Shareholders' Meeting

After performing a comprehensive review of the 2014 financial statements, surplus allocation table, business reports, etc., submitted by the company's board of directors to be audited by accountants Cihui Li and Huizhi Kou of KPMG International Cooperative; no discrepancies were found. Therefore, I, in my capacity as a supervisor, hereby file this report pursuant to Article 219 of the Company Act for your review.

To:

The 2015 shareholders' meeting for Tung Ho Steel Enterprise Co., Ltd.

Tung Ho Steel Enterprise Corporation

Supervisor	Yuanyu Ke
	Chaohe Lin

March 25, 2015

### 3.1. Supervisors' Audit Report for the most recent year - Consolidated

## Supervisor review report

To: 2014 General Shareholders' Meeting

After performing a comprehensive review of the 2014 consolidated financial reports submitted by the company's board of directors to be audited by accountants Cihui Li and Huizhi Kou of KPMG International Cooperative; no discrepancies were found. Therefore, I, in my capacity as a supervisor, hereby file this report pursuant to Article 219 of the Company Act for your review.

To:

The 2015 shareholders' meeting for Tung Ho Steel Enterprise Co., Ltd.

Tung Ho Steel Enterprise Corporation

Supervisor                      Yuanyu Ke  
Chaohe Lin

March 25, 2015

**4. Financial statements for most recent year:** Please refer to the 2014 consolidated financial report for Tung Ho Steel Enterprise Corporation and its subsidiaries.

**5. Latest accountant audited individual financial report:**

Please refer to the 2014 individual financial statement for Tung Ho Steel Enterprise Corporation.

**6. Effects of financial difficulties experienced by the company and its affiliated companies on the Company's financial status from recent year to the publication date of the annual report** None

## VII. Financial position and financial performance review analysis and risk matters

### 1. Financial status

#### (1) Comparative analysis of financial status-consolidated

Unit: NT\$1,000

Item \ Year	2014	2013	Difference	
			Amount	%
Liquid assets	16,166,959	17,555,853	-1,388,894	-7.91
Long-term investments	2,775,745	2,942,353	-166,608	-5.66
Fixed assets	15,916,706	16,257,059	-340,353	-2.09
Intangible assets	0	0	0	0
Real estate investment	1,651,800	1,638,935	12,865	0.79
Other assets	1,837,861	1,530,433	307,428	20.09
Total assets	38,349,071	39,924,633	-1,575,562	-3.95
Liquid liabilities	10,956,845	9,844,751	1,112,094	11.30
Long-term debt	4,272,230	6,825,536	-2,553,306	-37.41
Other debt	0	0	0	0
Total indebtedness	15,229,075	16,670,287	-1,441,212	-8.65
Capital stock	9,982,215	9,982,021	194	0.00
Capital reserve	6,225,993	6,225,686	307	0.00
Retained earnings	6,642,349	7,215,861	-573,512	-7.95
Other equity	160,468	-285,139	445,607	156.28
Total equity attributable to parent company owners	23,011,025	23,138,429	-127,404	-0.55
Non-controlling equity	108,971	115,917	-6,946	-5.99
Total equity	23,119,996	23,254,346	-134,350	-0.58

Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)

1. Other assets: Increased by NT\$307,428,000 compared with that of last year primarily because the prepaid land and equipment funds increased by NT\$302,154,000.
2. Long-term debt: Reduced by NT\$2,553,306,000 compared with that of last year primarily because a convertible bond debt of NT\$2.5 billion was transferred to the category "corporate bonds that will mature within 1 year" under the liquid liability category in 2014.
3. Other equity: Increased by NT\$445,607,000 compared with that of the previous year primarily because the available-for-sale financial assets of the Taiwan High Speed Rail assumed an impairment loss of NT\$573,444,000 in 2014, and the unrealized valuation loss on available-for-sale financial assets under the other equity category was recategorized as an income.

## 2.Comparative analysis of financial position - individual

Unit: NT\$1,000

Item \ Year	2014	2013	Difference	
			Amount	%
Liquid assets	13,742,697	14,976,311	-1,233,614	-8.24
Long-term investments	5,430,698	5,544,329	-113,631	-2.05
Fixed assets	13,433,265	13,933,045	-499,780	-3.59
Intangible assets	0	0	0	0
Real estate investment	1,651,800	1,638,935	12,865	0.79
Other assets	919,579	638,373	281,206	44.05
Total assets	35,178,039	36,730,993	-1,552,954	-4.23
Liquid liabilities	8,230,300	7,266,627	963,673	13.26
Long-term debt	3,936,714	6,325,937	-2,389,223	-37.77
Other debt	0	0	0	0
Total indebtedness	12,167,014	13,592,564	-1,425,550	-10.49
Capital stock	9,982,215	9,982,021	194	0.00
Capital reserve	6,225,993	6,225,686	307	0.00
Retained earnings	6,642,349	7,215,861	-573,512	-7.95
Other equity	160,468	-285,139	445,607	156.28
Total equity	23,011,025	23,138,429	-127,404	-0.55

Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)

1. Other assets: Increased by NT\$281,206,000 compared with that of last year primarily because the prepaid land and equipment funds increased by NT\$307,331,000.
2. Long-term debt: Reduced by NT\$2,389,223,000 compared with that of last year primarily because a convertible bond debt of NT\$2.5 billion was transferred to the category "corporate bonds that will mature within 1 year" under the liquid liability category in 2014.
4. Other equity: Increased by NT\$445,607,000 compared with that of the previous year primarily because the available-for-sale financial assets of the Taiwan High Speed Rail assumed an impairment loss of NT\$573,444,000 in 2014, and the unrealized valuation loss on available-for-sale financial assets under the other equity category was recategorized as an income.

## 2. Financial performance

### (1)1. Comparative analysis of operating performance-consolidated

Unit: NT\$1,000

<b>Item \ Year</b>	<b>2014</b>	<b>2013</b>	<b>Amount increase</b>	<b>Percentage of change (%)</b>
Total operating income	36,231,417	35,465,453	765,964	2.16
Less: Sales returns	8,898	3,647	5,251	143.98
Sales discounts	330,334	342,593	-12,259	-3.58
Net operating income	35,892,185	35,119,213	772,972	2.20
Operating costs	33,004,388	31,416,143	1,588,245	5.06
Operating gross profit	2,887,797	3,703,070	-815,273	-22.02
Operating expenses	1,528,236	1,516,227	12,009	0.79
Operating net profit	1,359,561	2,186,843	-827,282	-37.83
Non-operating income and expenses	-71,259	236,060	-307,319	-130.19
Net income from continuing operations before income taxes	1,288,302	2,422,903	-1,134,601	-46.83
Less: Income tax expenses	233,820	322,753	-88,933	-27.55
Net profit for the period	1,054,482	2,100,150	-1,045,668	-49.79
Other consolidated income (net income after-tax)	409,696	252,117	157,579	62.50
Total comprehensive income for the period	1,464,178	2,352,267	-888,089	-37.75

Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)

1. Gross profit and operating income : Gross profit decreased by NT\$815,273,000 and operating income decreased by NT\$827,282,000 compared with those of last year primarily because of changes in market supply and demand for steel products and drop in sales price, compressing operating profits.
2. Non-operating income and expenses: Reduced by NT\$307,319,000 compared with that of last year primarily because loss in foreign currency exchange increased by NT\$90,365,000 compared with that of last year; gains from disposal investment increased by NT\$49,977,000 compared with that of last year; net profit of financial asset and financial liability at fair value through profit increased by NT\$84,676,000 compared with that of last year; share of gain from affiliates recognized by equity method increased by NT\$105,355,000 compared with that of last year; available-for-sale financial assets of the Taiwan High Speed assumed an impairment loss of NT\$573,444,000; and other income increased by NT\$52,116,000.
3. Gains or losses from continuing operations before income taxes: Decreased by NT\$1,134,601,000 compared with that of last year primarily because operating net profit was reduced by NT\$827,282,000 and non-operating income and expenses was reduced by NT\$307,319,000 compared with those of last year.
4. Income tax expenses: Decreased by NT\$88,933,000 compared with that of last year primarily because continuing operations profit before income taxes was

reduced by NT\$1,134,601,000 compared with that of last year, but the impairment loss of NT\$573,444,000 from the assets of Taiwan High Speed has not yet been realized as a loss. This loss must still be incorporated in the income tax expense.

5. Current period net income: Decreased by NT\$1,045,668,000 compared with that of last year primarily because operating net profit was reduced by NT\$827,282,000, non-operating income and expenses decreased by NT\$307,319,000 and income tax expense was reduced by NT\$88,933,000 compared with those of the previous year.
6. Other comprehensive income (net income after-tax): Increased by NT\$157,579,000 compared with that of last year primarily because the unrealized valuation on loss for available-for-sale financial assets increased by NT\$301,566,00, actuarial profit from confirmed welfare plans decreased by NT\$68,617,000 and share of gain (loss) from affiliates and joint ventures recognized by equity method was reduced by NT\$65,412,000 compared with those of last year.
7. Total comprehensive income for the period: Decreased by NT\$888,089,000 compared with that of last year primarily because current net income was reduced by NT\$1,045,668,000 and other comprehensive income increased by NT\$157,579,000 compared with those of last year.



## 2. Comparative analysis of operating performance - individual

Unit: NT\$1,000

<b>Item \ Year</b>	<b>2014</b>	<b>2013</b>	<b>Amount increase</b>	<b>Percentage of change (%)</b>
Total operating income	33,343,870	33,024,925	318,945	0.97
Less: Sales returns	8,898	3,635	5,263	144.79
Sales discounts	325,678	324,051	1,627	0.50
Net operating income	33,009,294	32,697,239	312,055	0.95
Operating costs	30,248,458	29,200,295	1,048,163	3.59
Operating gross profit	2,760,836	3,496,944	-736,108	-21.05
Less: Unrealized sales profit	13,926	26,956	-13,030	-48.34
Plus: Realized sales profit	26,956	15,766	11,190	70.98
Net operating margin	2,773,866	3,485,754	-711,888	-20.42
Operating expenses	1,303,378	1,276,596	26,782	2.10
Operating net profit	1,470,488	2,209,158	-738,670	-33.44
Total Non-operating income and expenses	-150,895	221,115	-372,010	-168.24
Net income (loss) before tax	1,319,593	2,430,273	-1,110,680	-45.70
Less: Income tax expenses	258,001	313,195	-55,194	-17.62
Net income (loss)	1,061,592	2,117,078	-1,055,486	-49.86
Other consolidated income (net income after-tax)	407,781	251,326	156,455	62.25
Total comprehensive income for the period	1,469,373	2,368,404	-899,031	-37.96
Description of items with significant changes (change ratio greater than 20% or change amount greater than NT\$10,000,000)				
<ol style="list-style-type: none"> <li>Gross profit and operating income : Gross profit decreased by NT\$736,108,000 and operating income decreased by NT\$738,670,000 compared with those of last year primarily because of changes in market supply and demand for steel products and drop in sales price, compressing operating profits.</li> <li>Unrealized and realized sales profit: Unrealized sales profit decreased by NT\$13,030,000 and realized sales profit increased by NT\$11,190,000 compared with those of last year primarily because of the steel products sold to the subsidiary Dong Gang Steel Structure Co., Ltd. Dong Gang Steel Structure has completed most of the constructions and gains and losses for the uncompleted projects were determined using the percentage of completion method.</li> <li>Non-operating income and expenses: Reduced by NT\$372,010,000 compared with that of last year primarily because interest income increased by NT\$8,227,000; loss in foreign currency exchange increased by NT\$91,275,000; gains from disposal investment increased by NT\$49,997,000; net profit of financial asset and financial liability at fair value through profit increased by NT\$84,676,000; and share of gain from affiliates recognized by</li> </ol>				

equity method increased by NT\$98,609,000 compared with those of last year. In addition, available-for-sale financial assets of the Taiwan High Speed assumed an impairment loss of NT\$573,444,000; and other income increased by NT\$19,039,000.

4. Decreased by NT\$1,110,680,000 compared with that of last year primarily because operating net profit was reduced by NT\$738,670,000 and non-operating income and expenses was reduced by NT\$372,010,000 compared with those of last year.
5. Current net income: Decreased by NT\$1,055,486,000 compared with that of last year primarily because operating net profit was reduced by NT\$738,670,000, non-operating income and expenses decreased by NT\$372,010,000 and income tax expense was reduced by NT\$55,194,000 compared with those of the previous year.
6. Other comprehensive income (net income after-tax): Increased by NT\$156,455,000 compared with that of last year primarily because the unrealized valuation on loss for available-for-sale financial assets increased by NT\$301,566,000, actuarial profit from confirmed welfare plans decreased by NT\$68,650,000 and share of gain (loss) from affiliates and joint ventures recognized by equity method was reduced by NT\$65,385,000 compared with those of last year.
7. Total comprehensive income for the period: Decreased by NT\$899,031,000 compared with that of last year primarily because current net income was reduced by NT\$1,055,486,000 and other comprehensive income increased by NT\$156,455,000 compared with those of last year.

### 3. Cash flow

#### (1)1. Liquidity analysis for the last two years -consolidated

<b>Item \ Year</b>	<b>2014</b>	<b>2013</b>	<b>Change (%)</b>
Cash flow ratio	38.29	44.17	-13.31
Cash flow adequacy ratio	85.36	50.30	69.70
Cash investment ratio	5.88	6.67	-11.84
<p>Analysis description for items with increase and decrease ratio change of over 20% is as follows:</p> <p>The cash flow adequacy ratio increased to 85.36% primarily because the net cash flows from operating activities for the last 5 years was increased by NT\$3,747,353,000 (33.17%) compared with that of the previous year; Capital spending in the past five years decreased by NT\$4,499,693,000 (35.11%) compared with that of the previous year; the inventory increase amount for the last 5 years was reduced by NT\$620,119,000 (18.86%) compared with that of the previous year.</p>			

## 2. Cash flow analysis for the coming year - Consolidated

Unit: NT\$1,000

Beginning stage cash balance	Annual net cash flow from operation activities	Cash outflow for the entire year	Cash surplus (shortage) amount	Cash shortfall remedy measures	
				Investment plan	Financing plan
1,910,409	4,200,000	5,135,000	975,409	Not applicable	Not applicable

### 1. Cash flow status analysis:

- (1) Operating activities: Revenue and surplus are expected to grow during 2015, and the net cash flow from business activities is expected to be NT\$4,200,000,000.
- (2) Investing activities: Mainly estimates the acquisition of fixed assets and increase the long-term equity investments as well as the cash flow from other long-term investments.
- (3) Financing activities: Mainly estimates pay dividends, director and supervisor remunerations, employee bonus and reimbursement, and cash flow from long- and short-term loan repayments.

### 2. Expected cash deficit remedies and liquidity analysis: Not applicable.

**(2)1. Liquidity analysis for the last two years-individual**

<b>Item \ Year</b>	<b>2014</b>	<b>2013</b>	<b>Change (%)</b>
Cash flow ratio	46.28	61.38	-24.60
Cash flow adequacy ratio	92.25	55.06	67.54
Cash investment ratio	5.16	7.12	-27.53
<p>Analysis description for items with increase and decrease ratio change of over 20% is as follows:</p> <p>1. Cash flow ratio decreased to 46.28% and the cash reinvestment ratio decreased to 5.16% primarily because the net cash flow from operating activities was reduced by NT\$651,328,000 (14.60%) compared with that of the previous year; liquid liabilities increased to NT\$963,673,000 (13.26%) compared with that of last year; and the current liabilities was decreased by NT\$1,233,614,000 (8.24%) compared with that of last year.</p> <p>2. The cash flow adequacy ratio increased to 92.25% primarily because the net cash flows from operating activities for the last 5 years was increased by NT\$3,345,277,000 (30.87%) compared with that of the previous year; capital spending in the past five years decreased by NT\$3,939,627,000 (38.97%) compared with that of the previous year; the inventory increase amount for the last 5 years was reduced by NT\$657,807,000 (20.40%) compared with that of the previous year; and the cash dividend for the last 5 years was increased by NT\$286,851,000 (4.52%).</p>			

**2. Cash flow analysis for the coming year - Individual**

Unit: NT\$1000

<b>Beginning stage cash balance</b>	<b>Annual net cash flow from operation activities</b>	<b>Cash outflow for the entire year</b>	<b>Cash surplus (shortage) amount</b>	<b>Cash shortfall remedy measures</b>	
				<b>Investment plan</b>	<b>Financing plan</b>
1,652,958	3,450,000	4,286,000	816,958	Not applicable	Not applicable

**1. Cash flow status analysis:**

- (1) Operating activities: Revenue and surplus are expected to grow during 2015, and the net cash flow from business activities is expected to be NT\$3,450,000,000.
- (2) Investing activities: Mainly estimates the acquisition of fixed assets and increase the long-term equity investments as well as the cash flow from other long-term investments.
- (3) Financing activities: Mainly estimates pay dividends, director and supervisor remunerations, employee bonus and reimbursement, and cash flow from long- and short-term loan repayments.

**2. Expected cash deficit remedies and liquidity analysis: Not applicable.**

4. **Effect of major capital spending on financial position and business operation:** None
5. **Investment policy in the past year, profit/loss analysis, improvement plan, and investment plan for the coming year:** None
6. **Risk issues and analysis evaluation**

**(1) Impact of interest rate and exchange rate changes and inflation on Company's profit and response measures**

Unit: NT\$1000

Item	2013	2014
Net operating income	35,119,213	35,892,185
Net interest expense (note)	120,933	100,561
Net foreign exchange gain	(65,411)	(155,776)

Note: Amount after interest income has been deducted

1. The company shall cooperate with the correspondent bank to obtain more favorable interest rates for the working capital required by the company. In addition, annual net interest income for 2014 and 2013 only accounted for 0.28% and 0.34% of the net operating income for the full year, respectively. The ratios are small. Changes in interest rates have a significant impact on the company. In addition, the company shall maintain close contact with the bank and observe market changes in order to secure more favorable loan rates from the bank. The company shall observe the market interest rate changes closely in order to raise funds by issuing convertible bonds at the optimal time to lock-in the interest costs and reduce the company's interest burden. Significant capital expenditures shall be carefully assessed and broadly compared so that a lower cost financing tool can be adopted.
2. The company's primary products are billets, rebar, and structural steel. Billets are primarily used for self-processing, and only a small portion are sold externally. Rebar customers are primarily domestic. Product valuation is mainly NT\$ based and only a small portion is exported. Structural steel products are no exception. They are primarily sold domestically and only a small portion is exported. In 2014, the product exportation amount was approximately NT\$3.03 billion, which accounted for approximately 8.44% of the revenue. Raw material imports accounted for approximately NT\$11.6 billion. The primary export and import currency is U.S. Dollar. Procurement and sales in U.S. Dollar canceled each other out. Net foreign currency position exposure is approximately NT\$8.57 billion. This company primarily engages in long-term foreign exchanges and options trading to avoid exchange rate fluctuation risks, and have adopted specific measures to avoid exchange rate risks as follows:
  - (1) Collect exchange rate movement related information daily to have a full grasp on the exchange rate, and convert currency or retain foreign currency loans at the optimal time.
  - (2) In terms of exchange capital allocation, foreign currency claims and debt from regular product exportation and importation transactions will cancel each other out to create a natural hedging effect.
  - (3) Discuss hedging strategy with the foreign exchange department of the bank to determine foreign currency positions based on the actual funding needs and exchange rate conditions.
3. The direct impact that inflation has on this company is limited.

**(2) Policies of engaging in high-risk, high-leverage investments, lending to others, providing endorsement and guarantee, and derivatives transactions, profit/loss analysis, and future response measures:**

1. The company has not engaged in high-risk and high-leveraged financial investment operations. The primary reason for buying U.S. Dollar and engaging in long-term foreign exchange, option operations, and interest rate swap operations is to circumvent exchange rate and interest rate fluctuations and stabilize sales costs and capital costs. The company has not suffered any significant losses from engaging in derivative transactions. In addition, the company's derivative transaction policy is based on the actual hedging demand, and the relevant operations are handled based on the company's "Policies and Procedures for Financial Derivatives Transactions."
2. Matters related to fund lending are handled according to the Operating Procedure for Fund Lending. By 2014, the subsidiary Dongyuan International Company disbursed a loan of US\$1,300,000 to De He International Company.
3. Last year, this company has reinvested in its subsidiary Fujian Dong Gang company and provided guarantee endorsement in the amount of US\$13,000,000. Relevant operations for guarantee endorsement in the amount of US\$2,090,000 for Dongyuan International Company are processed in accordance with the "Procedures for Endorsement and Guarantee."

**(3) Future R&D projects and estimated R&D expenditure:**

1. In terms of steelmaking: High-strength steel, high-grade marine steel, ultrahigh-strength steel, furnace slag recycling technology, restored melted slag recycling process, and the scrap continuous feeding system were developed.
2. In terms of steel rolling: High-strength threaded rebar, high-strength threaded rebar coupler, U-shaped steel sheet pile, hyper beam new dimension development for H800 x 350, billet induction heating process, ultra-thick H-shaped steel development, new dimension development for steel tanks of various specifications, new dimension development for I-Beams of ASTM specifications. Various development projects are aimed at developing steel material in different shapes, in order to diversify our products, enhance our technical capability, and increase the company's revenue and profit.
3. High strength and high value-added steel, steel plates, and structural steel (BH, BOX, CROSS...) have been developed actively. The company is expected to invest another NT\$100 million for R&D.

**(4) Major changes in government policies and laws at home and broad and the impact on Company finance and business and response measures: None**

**(5) Impact of recent technological and market changes on the Company's finance and business, and response measures:**

In addition to the commitment to continuously improve technological capabilities, improve management efficiency, lower production costs, close coordination of production and sales, and integrate operations to enhance the competitive advantages in the domestic market, the company has also actively been developing the new foreign markets and clients. Furthermore, the company has continuously engaged R&D for new steel product and product applications to expand and solidify the business foundation. Therefore, industrial changes pose no significant impact on the company's financial operations.

**(6) Impact of corporate image change on risk management and response measures:**

The company has always maintained the operation principles of professionalism, quality, and integrity as well as emphasized on corporate image and risk management. There are currently no foreseeable

**(7) Expected benefits and potential risks of merger and acquisition and response measures: None**

**(8) Expected benefits and potential risks of capacity expansion and response measures: Please see Section IV, fund-raising case 7 of this year's annual report for details on the status of the capital utilization plan implementation.**

**(9) Risks associated with over-concentration in purchase or sale and response measures: None**

**(10) The effects that large share equity transfers by a director, supervisors, or major shareholders holding more than 10% of the company shares have on the company as well as risk and response measures: None**

**(11) Impact of change of management rights on the Company, associated risk and response measures: None**

**(12) In terms of litigation or non-litigation matters, the company and the company's directors, supervisors, president, actual responsible person, and shareholders holding more than 10% of the company shares, who are involved in a major lawsuit of a subsidiary company that has either been decided or is still pending whereby the results of the case may have a significant impact to shareholder interests or securities prices, must be specified. The status of the disputed facts, bid amount, litigation commencement date, and the primary parties involved in such litigations up to the publication date of this annual report shall be disclosed: None**

**(13) Other significant risks and response measures:** None

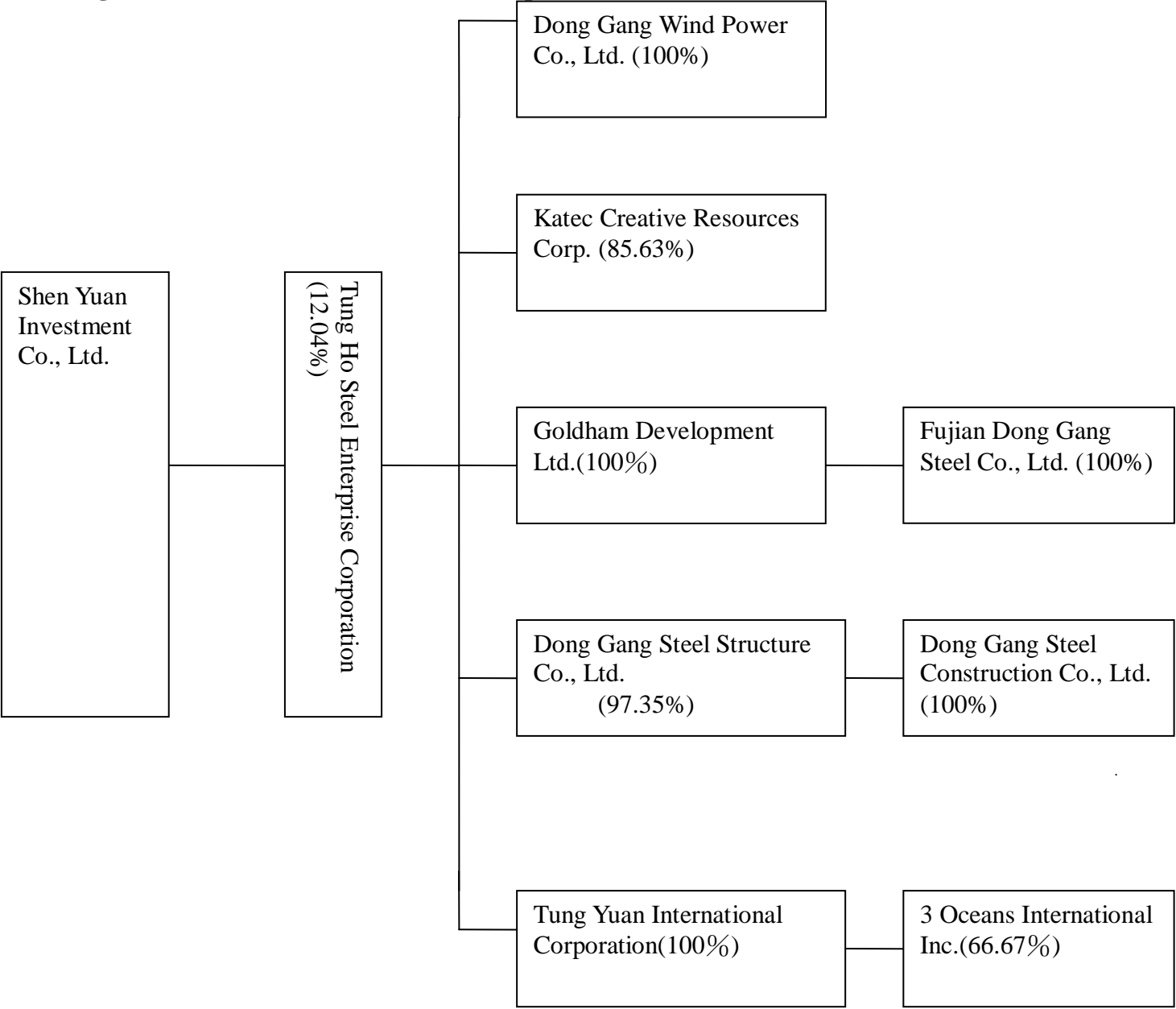
**7. Other critical matters:** None

VIII. Special note items

1. Relevant information for the affiliated enterprises

(1) Consolidated business reports form the affiliated enterprises

1. Organization chart for the affiliated enterprises





## 2. Basic information of the various affiliated enterprises

Unit: NT\$1,000

Enterprise name	Date of establishment	Address	Paid-in capital	The primary business or production items
Tung Yuan International Corporation	1992.11.	P.O.Box 957,Offshore Incorporations Centre,Road Town,Tortola,British Virgin Islands	2,595	Trading investments of various marketable securities
3 Oceans International Inc.	2004.3	Britannia House,22,2 <sup>nd</sup> Floor, Cator Road,Bandar Seri Begawan BS 8811,Brunei Darussalan	94,950	Various commodities and securities trading and investment
Dong Gang Steel Structure Co., Ltd.	1993.07	6F, No. 9, Sec. 1, Changan East Road, Taipei 10441	1,206,000	Metal structures and architectural component manufacturing
Dong Gang Steel Construction Co., Ltd.	1991.09	9F, No. 9, Sec. 1, Changan East Road, Taipei 10441	150,010	Consolidated construction
Katec Creative Resources Corp.	1995.08	No. 231, Huanke Rd., Guanyin District, Datan Vil, Taoyuan City, Taiwan	307,000	General waste clearance and disposal operations
Dong Gang Wind Power Co., Ltd.	2009.10	9F, No. 9, Sec. 1, Changan East Road, Taipei 10441	155,000	Power industry
Goldham Development Ltd	1991.11	1st Floor,Lake Building, Wickhams Cay 1, Road Town, Tortola,British Virgin Islands	474,750	Various commodities and securities trading and investment
Fujian Dong Gang Steel Co., Ltd.	1998.01	No. 5, Yanxi Rd., Hongkuan Industrial Village, Yangxia Town, Fuqing City, Fujian, China	474,750	Produce steel products and related products as well as provide the corresponding installation and ancillary services

**3. Presumed as the same shareholder information for those who have control and subordinate relationships:** None

**4. Information for director, supervisor, and general manager of affiliated companies**

Enterprise name	Job title	Name or representative	Shares held	
			Number of shares	Shareholding ratio
Tung Yuan International Corporation.	Directors Directors Directors	Representative of Tung Ho Steel Enterprise Co., Ltd.: Shuzhao Houwang Representative of Tung Ho Steel Enterprise Co., Ltd.: Jieteng Hou Representative of Tung Ho Steel Enterprise Co., Ltd.: Boxun Dong	82	100.00%
3 Oceans International Inc.	Directors  Directors	Representative of Dongyuan International Co., Ltd.: Jieteng Hou Representative of Dongyuan International Co., Ltd.: Qixie Lin	2,000,000	66.67%
Dong Gang Steel Structure Co., Ltd.	Chairman  Directors  Directors  Directors	Shuzhao Houwang Representative of Tung Ho Steel Enterprise Co., Ltd.: Boxun Dong Representative of Tung Ho Steel Enterprise Co., Ltd.: Jieteng Hou Representative of Tung Ho Steel Enterprise Co., Ltd.: Binghua Huang Representative of Tung Ho Steel Enterprise Co., Ltd.: Huiming Wu	117,407,286	97.35%
Dong Gang Steel Construction Co., Ltd.	Chairman  Directors  Directors  Supervisors	Representative of Dong Gang Steel Structure Co., Ltd.: Yong-Zhi Chen Representative of Dong Gang Steel Structure Co., Ltd.: Jieteng Hou Representative of Dong Gang Steel Structure Co., Ltd.: Kuanren Gu Representative of Dong Gang Steel Structure Co., Ltd.: Zhao Liu	15,001,000	100.00%
Goldham Development Ltd.	Directors	Representative of Tung Ho Steel Enterprise Co., Ltd.: Shuzhao Houwang	15,000,000	100.00%

	Directors	Representative of Tung Ho Steel Enterprise Co., Ltd.: Jieteng Hou		
	Directors	Representative of Tung Ho Steel Enterprise Co., Ltd.: Boxun Dong		
Fujian Dong Gang Steel Co., Ltd.	Chairman	Zhengbin Qiu	0	100.00%
Katec Creative Resources Corp.	Chairman	Representative of Tung Ho Steel Enterprise Co., Ltd.: Zhangqing He	23,213,836	85.63%
	Directors	Representative of Tung Ho Steel Enterprise Co., Ltd.: Jieteng Hou		
	Directors	Representative of Tung Ho Steel Enterprise Co., Ltd.: Qinglian Huang		
	Directors	Representative of Tung Ho Steel Enterprise Co., Ltd.: Guoxiong Liu		
	Directors	Representative of Tung Ho Steel Enterprise Co., Ltd.: Xiuqi Chen		
Dong Gang Wind Power Co., Ltd.	Chairman	Representative of Tung Ho Steel Enterprise Co., Ltd.: Jieteng Hou	15,500,000	100.00%
	Directors	Representative of Tung Ho Steel Enterprise Co., Ltd.: Shuzhao Houwang		
	Directors	Representative of Tung Ho Steel Enterprise Co., Ltd.: Xiuqi Chen		
	Supervisors	Representative of Tung Ho Steel Enterprise Co., Ltd.: Ruyu He		

## 5. Status of operation for various affiliated companies

Unit: NT\$1,000

Enterprise name	Capital amount	Total assets (Note 1)	Total indebtedness (Note 1)	Net value (Note 1)	Operating income (Note 2)	Operating net (loss) income (Note 2)	Current net income (loss) (Note 2)	Earnings per share (NTD)
Tung Yuan International Corporation(Note 3)	2,595	1,224,033	475	1,223,558	0	6,817	6,817	83,138
3 Oceans International Inc. (Note 4)	94,950	94,823	278	94,545	788	(4,049)	(4,049)	(1.35)
Dong Gang Steel Structure Co., Ltd.	1,206,000	3,651,427	1,827,189	1,824,238	3,696,291	(28,217)	27,478	0.23
Dong Gang Construction Engineering Co., Ltd.	150,010	182,752	35,499	147,253	68,147	(10,000)	(5,160)	(0.50)
Goldham Development Ltd (Note 4)	474,750	515,053	0	515,053	0	(56,543)	(60,239)	(4.02)
Fujian Dong Gang Steel Co., Ltd.	474,750	880,613	365,560	515,053	599,915	(56,543)	(60,239)	Not applicable
Katec Creative Resources Corporation	307,000	1,071,316	869,274	202,042	293,215	(31,716)	(43,766)	(1.61)
Dong Gang Wind Power Co., Ltd.	155,000	668,406	570,293	98,113	0	(7,162 )	(13,524)	(0.87)

Note 1: USD to NTD exchange rate as of December 31, 2014 was USD 1 : NTD 31.65; and CNY to NTD exchange rate CNY 1 : NTD 5.092

Note 2: The average USD to NTD exchange rate for 2014 was USD1 : NTD 30.3057; and the average CNY to NTD exchange rate was CNY1 : NTD 4.920

Note 3: Par value of US\$1,000 per share

Note 4: Par value of US\$1 per share

## **(2) Affiliation report**

### **Statement of declaration**

The company's 2014 (from January 1, 2014 to December 31, 2014) affiliation report is formulated based on the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises," and there are no major discrepancies between the information disclosed and the related information disclosed in the notes of the financial report for the aforementioned period.

It is hereby declared

Company name: Tung Ho Steel Enterprise Corporation

Chairman: HENRY HO

March 25, 2015

**Accountant opinion declaration statement**

**Account review comments for the affiliation report**

To: Tung Ho Steel Enterprise Corporation

The 2014 annual affiliation report for Tung Ho Steel Enterprise Co., Ltd. has been reviewed by this accountant pursuant to provisions provided by the Securities and Futures Commission's letter Tai Tsai (6) Zi No. 4448 on November 30, 1999. The objectives of this audit were to determine whether the 2014 annual affiliation report of Tung Ho Steel Enterprise Co., Ltd. was formulated in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises"; determine whether there are major discrepancies with the related information disclosed by the notes of the current financial report during the audit date on March 25, 2015; and issue an opinion for the audit.

The results of this accountant's audit indicated that the formulation of the aforementioned report did not violate the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises"; and there was no major discrepancy between the information disclosed in the aforementioned affiliation report or information disclosed by the notes of the financial report for the same period.

KPMG International Cooperative

Accountants            Cihui Li  
   :  
   Huizhi Kou

Securities            Tai Tsai (6) Zi No. 0930104860  
Competent            Tai Tsai (6) Zi No. 0930106739  
Authority            :  
Approval            :  
Certification            :  
No.  
March 25, 2015

## 1. Relationship status between the controlling and subsidiary companies

Units: shares; %

Control company's name	Control reasons	Status of the control company's share ownership and pledge			Status of director, supervisor, or manager designation by the control company	
		Shares held	Shareholding ratio	Number of shares pledged	Job title	Name
Shen Yuan Investment Co., Ltd.	Substantially control	120,199,779	12.04%	0	Chairman Vice Chairman General manager Directors Directors	Jieteng Hou Shuzhao Houwang Jieteng Hou Yushu Hou Huiming Wu

## 2. Status of sales transactions: None

## 3. Status of financial transactions:

Unit: NT\$

Transaction type (acquisition or disposal)	Property name	Transaction date or date of occurrence	Transaction amount	Payment condition	Status of payment	Disposal income (loss) (Note 1)	Reason for transaction party as control company	Previous transfer data (Note 2)				Transaction decision method (Note 3)	Reference for price determination	Purpose and use of acquisition or disposal	Other stipulated items
								Owner	Relation with the Company	Date of transfer	Amount				
Acquisition	Vehicles	2014.05.29	1,304,762	Check	Paid	None	Substantially control	Taikoo Motors Group Taiwan Branch	None	2014.03.04	1,304,762 (before tax)	Manager	comparable to the market price	Business purpose	None

Note 1: Not required for property acquirers.

Note 2: (1) Property acquirers should list the initial acquired data of the control company; those disposing of properties should list the initial acquired data of their affiliated company.

(2) The column "Relation with the company" should state the relationship between the owner and his/her affiliated company and between owner and the control company.

(3) If the party related to previous transfer transaction is a related party, the previous transfer data of such related party should be incorporated in the same column.

Note 3: The hierarchy of the decided translation should be stated.

## 4. Status of fund intermediation None

## 5. Status of asset leasing

Unit: NT\$

Transaction type (leased or rented)	Bid subject		Lease period	Nature of the lease	Basis for rent decision	Method of payment received (or payment)	Status compared to general rent levels	Total rent for this period	Status of rent collection and payment for this period	Other stipulated items
	Name	Site location								
Lease	office	6F, No. 9, Section 1, Changan East Rd., Taipei City, Taiwan	2014.01.01   2014.12.31	Lease operation	2,000/ping per month	Charged once a year	comparable to the market price	22,857 (before tax)	Collected	None

## 6. Other significant transactions None

## 7. Endorsement Scenario None



- 2. Status of private solicitation for marketable securities handling for the recent year up to the publication date of this annual report: None**
- 3. Holding or disposal of stocks of the Company by subsidiaries in the past year and up to the date of report: None**
- 4. Other supplemental information: None**

**Corporate events with material impact on shareholders' equity or stock prices set forth in Subparagraph 2, Paragraph 3, Article 36 of Securities Exchange Act in the past year and up to the date of report: None**